## MAJOR INITIATIVES

The City has set as a budget goal a high level of basic services that will be maintained with sufficient staff and appropriate equipment and facilities for fire suppression, emergency medical services, police and public services programs. The budget contains the following key program enhancements that will be provided within our current capabilities.

**General Fund**

| | |
|---|---|
| | **Public Health related program improvements including:** |
| $ 85,800 | Emerald Ash Borer Removal of dead and diseased trees from City parks and rights-of-way |
| $ 25,000 | Special Household Hazardous Waste drop off in conjunction with Spring Clean Up Day |
| | **Deferred Building Maintenance projects including (Funding from Capital Improvements Designation) :** |
| $ 375,000 | • Loading ramp renovations<br>• Roof replacement<br>• Door replacements<br>• Fire Suppression System |
| | **Leisure Service Program improvements including:** |
| $ 25,800 | Library purchases including books, videos and audio visuals |
| | Park projects including (funding from Parks Improvement Designation): |
| $ 300,000 | • Youth recreation project<br>• Reconstruct parking lots<br>• Pathway construction funding<br>• Tree replacements at two parks |
| | Proposal "V-1" Millage vehicle replacements including: |
| $ 160,300 | • 1 code enforcement vehicle<br>• 1 pickup truck<br>• 2 senior vans<br>• 1 ambulance rescue (phase I funding) |

**General Fund (continued)**

| | |
|---|---|
| | **Non-Proposal "V-1" Millage vehicle replacements including:** |
| $ 70,000 | • 1 administrative vehicle<br>• 1 utility maintenance cart<br>• 1 special event trailer<br>• 2 riding mowers |
| | **Technology Improvement projects including:** |
| $ 75,500 | • Computer cabling<br>• Street sign machine<br>• Computers and printer servers |

**Major Street Fund**

| | |
|---|---|
| $ 150,000 | Twelve Mile sidewalk under I-75 |
| $ 75,000 | Joint and crack sealing on Eleven Mile west of John R and Thirteen Mile turn lane from John R to Stephenson |
| $ 1,218,000 | Industrial roads including North Avis, East Avis, Edward and Mandoline overlay (including $288,000 special assessments for sidewalk installation) |
| $ 30,000 | Traffic signal upgrades |

**Local Street Fund**

| | |
|---|---|
| $ 2,881,000 | **Proposal "R-2" Millage road reconstruction scheduled as part of Year One of the Neighborhood Road Improvement Program including:**<br>• Spoon - Huntington to Campbell<br>• Parkdale - Campbell to Mark<br>• Millard - Campbell to Edgeworth<br>• Barrington/Northeastern - Woodside to Palmer<br>• Girard - I-75 to Palmer |

**<u>Local Street Fund</u> (continued)**

| | | |
|---|---|---|
| $ | 80,000 | Crack and joint sealing program in an area bounded by Twelve Mile, Dequindre, Connie and Alden; and south of Lincoln and west of John R |
| $ | 600,000 | Sectional replacement on Proposal "R-1" roads including Spoon and Sherry |
| $ | 20,000 | Proposal "R-2" contribution to fund key sidewalk squares and ramps in an area bounded by Ajax/Moulin, Dequindre, Twelve Mile and I-75 |
| $ | 18,000 | Stop sign reflective strips |

**<u>Downtown Development Authority Fund</u>**

| | | |
|---|---|---|
| $ | 40,300 | Downtown Development Authority (DDA) funding match of 40% for Economic Development Program |
| $ | 20,000 | DDA funding match of 25% for Code Enforcement Officer |
| $ | 10,000 | Address sign project |
| S | 20,000 | Sign grant project |
| S | 20,000 | Facade improvement grant project |
| $ | 15,000 | Public right-of-way mowing |
| $ | 12,000 | Public right-of-way trash receptacle program |
| $ | 100,000 | Alley improvements |
| $ | 50,000 | Property Acquisition sinking account |

**<u>Drug Forfeiture Fund</u>**

| | | |
|---|---|---|
| $ | 20,000 | Purchase of two motorcycles |
| $ | 60,000 | Replacement of two patrol and one undercover vehicle |

**Community Improvement Fund**

| | | |
|---|---|---|
| $ | 18,000 | Senior citizen home chore program lawn mowing and snow shoveling |

**Special Assessment Revolving Fund**

| | | |
|---|---|---|
| $ | 320,000 | Year 6 of Sidewalk Gap and Replacement Program for an area bounded by Ajax/Moulin, Dequindre, Twelve Mile and I-75 |
| $ | 288,000 | Sidewalk installation as part of the industrial roads overlay program on North Avis, East Avis, Edward and Mandoline |

**Water and Sewer Fund**

| | | |
|---|---|---|
| $ | 538,000 | Watermain replacements as part of Year Two of the "R-2" Neighborhood Road Improvement Program on Palmer, Tawas, East Barrett, Lorenz, Hales and Northeastern |
| $ | 29,900 | Radio readers for commercial water meters |
| $ | 10,000 | West Nile Virus mosquito prevention program (also an additional $1,000 budgeted in General Fund Parks Division) |

# BUDGET POLICIES AND PROCEDURES CHAPTER

## Role of the Budget

The Budget provides the annual financial plan for the management of the City's affairs. The document compiles the financial data needed to support the City of Madison Heights' comprehensive decision-making and policy development process. This Budget is based on the City Goal Plan, the Five Year Capital Improvement Plan, the City's financial policies, past City Council direction, and City Manager and Departmental review of operations.

## Budget Strategy

The current financial plan is based upon Council direction and current revenue constraints. These factors govern the stewardship of public funds and reflect the following principles:

Basic services will be maintained at least at current levels and will be funded adequately;

Program costs will reflect a true picture of the cost of operations. Depreciation will not be included in program costs (except in the enterprise fund) and some Citywide expenses will be separated from program expenditures for ease of administration;

Program services will be provided in the most efficient method while meeting the needs of the public;

Necessary infrastructure improvements, improvements to stationary capital assets such as roads, sewer lines and water systems, will be undertaken to meet needs;

Revenues will be estimated at realistic levels;

Reserves will be programmed at appropriate levels to protect the City from future uncertainties; and

The Budget will comply with provisions of the State Constitution, City Charter, Municipal Code and sound fiscal policy.

# FINANCIAL POLICIES

The Council first reviewed and adopted financial policies with the FY 1992-93 Budget. In December of 1998, Madison Heights adopted Michigan's Investment Act for Local Units of Government (Public Act 20 of 1943), which was amended by Public Act 196 of 1997. In February 2003, Madison Heights adopted Michigan's Credit Card Transactions Act known as Public Act 266 of 1995. In August 2004, Madison Heights adopted Electronic Transactions of Public Funds Public Act 738 of 2002. In April of 2004, the Governmental Accounting Standards Board issued new regulations for the purpose of improving disclosure for liabilities associated with future retiree health care cost. Based on these guidelines, the City was required to implement in FY 2007-08 statistics to disclose liabilities and what contributions are to fund these liabilities over the following 30 years.

Under Public Act 149 of 1999, the City is able to invest in a trust fund that offers pension type investments and will increase investment returns. To establish the necessary trust investment vehicles, on May 23, 2005 and February 27, 2006, the City established two Retiree Health Care Trust Funds (one each for Police and Fire Act 345 employees and Michigan Employees Retirement System general employees). Starting with the FY 2006-07 Budget, the City is making the actuarial based contribution to pre-fund this liability.

These policies serve the staff in the preparation of the budget and management of the City's financial affairs. Policies have been established in the following areas: Operating Budget, Revenue, Reserves, Capital Improvements, Debt, Investments, Electronic Transactions of Public Funds, Auditing and Financial Reporting, Credit Cards and Accounting.

The City of Madison Heights' financial policies, as compiled below, set forth the basic framework for the overall fiscal management of the City. Operating independently of changing economic circumstances and conditions, these policies assist the decision making process of the City Council and staff. These policies provide guidelines for evaluating both current activities and proposals for future programs.

Most of the policies represent long-standing principles, traditions, and practices, which have guided the City in the past and have helped maintain financial stability.

## Operating Budget Policies

1. The City must adopt a balanced budget annually. A balanced budget is when operating budget revenues are equal to operating expenditures. All expenditures or revenues that increase or decrease the budget causing it to be out of balance must be amended by City Council through formal action.

2. The City will attempt to maintain its present service level for all priority and essential services within the existing property tax millage limits. No new services will be added without appropriate trade-offs.

3. The City will maintain a budgetary control system to ensure adherence to the budget and will prepare periodic reports comparing actual revenues and expenditures to budgeted amounts.

4. The City will emphasize efforts to reduce expenditures in major cost centers (i.e. energy, medical insurance premiums, self-insurance liability premiums, communications, information technology, pension cost, worker's compensation premiums and other fringe benefits).

5. The Water and Sewer Fund operations will be self-supporting.

**Revenue Policies**

1. The City will seek to maintain a diversified and stable revenue system to shelter itself from short-run fluctuations in any one revenue source.

2. The City will attempt to obtain additional revenue sources as a way of ensuring a balanced budget.

3. The City will follow an aggressive policy of collecting revenues.

4. The City will establish all user charges and fees at a level related to the full cost (operating, direct, indirect and capital) of providing the service.

5. The City will review fees and charges annually, and will design or modify revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing the service.

6. The City will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.

7. The City will, to the extent possible, use one-time revenues to fund one-time expenditures instead of financing ongoing programs.

8. The City will evaluate revenue sources to identify those sources that are unpredictable and use conservative estimates in preparing revenue projections.

**Reserve Policies**

1. The City will establish a revenue reserve (designated and/or undesignated fund balance in each major fund) to pay for expenses caused by unforeseen emergencies or shortfalls caused by revenue declines. For the General Fund, the long-range goal is that the available reserve will be increased and then maintained at an amount that represents at least ten percent of annual expenditures.

2. The City will strive to establish a contingency expenditure reserve (designated and/or undesignated fund balance) to provide for unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery costs. A target amount for this reserve will be one percent of operating funds.

3. The City will meet all current expenditures with current revenue.

4. The City will strive to maintain a Vehicle and Equipment Replacement Account to provide for timely replacement of vehicles and equipment. The amount added to this account by annual appropriation would be the amount required to cover an established vehicle replacement schedule after credit for the sale of surplus equipment and interest earned by the account.

5. The City will establish reserves to comply with the terms and conditions of the debt instruments used to finance capital improvement projects. Capital Improvement projects are large purchases and construction projects costing more than $30,000.

6. The City shall set aside specific amounts of retained earnings in reserves for future development of capital improvement projects that it has determined to be in the best long-term interests of the City.

As of June 30, 2007, the City has established a designated General Fund Fund Balance for vested employee benefits ($2,557,926), retiree health benefits ($778,165), retained insurance risk ($500,000), vehicle replacement ($1,136,030), technology improvements ($200,000), capital improvements ($500,000), park improvements ($500,000) and subsequent year's expenditures ($144,636).

**Capital Improvement Policies**

1. The City will develop an inventory of capital needs annually. The capital needs are reviewed to determine what projects and/or assets should be funded. In the past, the cost for some capital improvements has been large enough to warrant a separate millage or bond proposal.

2. The City will develop a multi-year plan for capital improvements, update it annually and make all capital improvements in accordance with the plan.

3. The City's plan will include large capital purchases and construction projects costing more than $30,000.

4. The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of the capital infrastructure and equipment from current revenues where possible.

5. The City will try to ensure that prime commercial and industrial acreage is provided with the necessary infrastructure to meet the market demand for this property.

6. The City will use the following criteria to evaluate the relative merit of each capital project:

    a. Projects that implement a component of the approved Goal Plan will be a priority when establishing funding.

b. Projects specifically included in an approved replacement schedule will receive priority consideration.

c. Projects that reduce the cost of operations or energy consumption will receive priority consideration.

d. Projects that duplicate other public and/or private services will not be considered.

e. Priority will be given to those projects that directly support development efforts in areas with a majority of low to moderate-income households.

**Debt Policies**

1. The City will consider use of debt financing only for one-time capital improvement projects such that revenue is of a sufficient amount, and the projects' term of financing will not exceed the useful life of the projects.

2. The net bonded indebtedness incurred for all public purposes shall not at any time exceed ten (10) percent of the assessed value of all real and personal property in the City.

3. The amount of emergency loans that the Council makes under provisions of Section 10.1 subsection (3) of the Charter may not exceed three-eighths of one percent of the assessed value of the real and personal property in the City.

4. The total amount of special assessment bonds pledging the full faith and credit of the City shall not at any time exceed twelve percent of the assessed value of all real and personal property in the City.

5. The City will not consider the use of debt financing to support current operations.

6. The City will maintain a sound relationship with all bond rating agencies and will keep them informed about our current capital projects.

7. The City will publish and distribute an Official Statement for each bond issue.

As of June 30, 2007, the legal debt limit (10 percent of total assessed valuation) was $112 million. The City had $5.2 million debt for the Fire Station Bonds applicable to the limit in 2007.

**Investment Policy**

1. The City will invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all State statutes and local ordinances governing the investment of public funds.

2. This investment policy applies to all financial assets held by the City other than pension fund assets.

3. The City's investments shall be reasonably diversified by specific maturity dates, and/or individual financial institutions or a specific class of securities.

4. In managing its investment portfolio, the Finance Director/Treasurer or their designee should avoid transactions that might impair public confidence. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of these affairs, not for speculation, but for investment, considering the probable safety of this capital as well as the probable income to be derived.

5. The City's officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair or create the appearance of an impairment on their ability to make impartial investment decisions.

6. The City is empowered by State statute (1943 P.A. 20 as amended by 1988 P.A. 285, and Section 1 as amended by 1997 P.A. 44) to invest in the following types of securities:

   a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

   b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

   c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after date of purchase.

   d. Repurchase agreements consisting of instruments in subdivision (a).

   e. Bankers' acceptances of United States banks.

   f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

   g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S. C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

      (i) the purchase of securities on a when-issued or delayed delivery basis;
      (ii) the ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned; and
      (iii) the limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

h. Obligations described in subdivision (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 (Extra Session) PA 7, MCL 124.501 to 124.51.

i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

j. The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

7. The Finance Director/Treasurer is restricted to investments in any one single issue or obligation of $3,000,000 or less, which meet the statutory restrictions above.

8. Except for cash in certain restricted and special accounts, the investment officer may pool cash of various funds to maximize investment earnings. Investment income shall be allocated to the various funds based upon their respective participation.

9. The City maintains its records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the City in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Accounting treatment will include carry investments at cost or amortized cost which approximates market and amortizes the premium or discount over the life of the investment.

10. The Finance Director/Treasurer will submit an annual investment report that provides the principal and type of investment by fund, annualized yield, ratio of cash to investments, earnings for the current reporting period and year-to-date, and a summary report of cash and investments maintained in each financial institution. Performance of the portfolio will be reported periodically and submitted to the City Manager. Reports will be submitted at a minimum on an annual basis. Material deviations from projected investment strategies will be reported immediately to the City Manager.

11. The Finance Director/Treasurer shall establish a system of internal controls, which are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Finance/Treasurer Department. Required elements of the system of internal controls shall include 1) the timely reconciliation of all bank accounts (i.e., monthly reconciliation within 30 days of the end of the monthly cycle), and 2) details of delivery versus payment procedures and trust receipt documentation.

**Electronic Transactions of Public Funds Policy**

1. Authority to enter into Automated Clearing House (ACH) agreements and electronic transfer for public funds.

The Treasurer may enter into an ACH agreement as provided by Public Act 738 of 2002, hereinafter "the Act", effective December 30, 2002. The City Council has adopted a resolution to authorize electronic transactions of public funds and have received a copy of the policy. Applicable definitions in the Act shall apply.

2. Responsibility for ACH.

The Treasurer shall be responsible for all ACH agreements, including payment approval, accounting, reporting, and generally overseeing compliance with the ACH Policy. The Treasurer shall submit to the local unit documentation detailing the goods or services purchased, the cost of goods or services, the date of the payment, and the department(s) serviced by the payment. This report can be contained in the electronic general ledger software system or in a separate report to the governing body of the local unit.

3. The following system of internal accounting controls shall be used to monitor the use of ACH transactions.

The Treasurer shall be responsible for the establishment of ACH agreements. The Treasurer shall make arrangements for those accounts to be paid by ACH or electronic transfers.

Upon receipt of an invoice for payment for accounts paid by ACH, the Department Head shall approve payment and notify the Treasurer to arrange for the appropriate debit to the City's accounts. These payments shall be included on the report of payments to the City Manager.

For payment of state and federal payroll taxes, the Treasurer shall initiate payment to the proper authority upon receipt of the information from the payroll department using the established Electronic Federal Tax Payment System (EFTPS) and state programs.

For deposits from state, county, and/or federal authorities, and from third-party payment processors (e.g. banks, vendors), the Treasurer shall obtain the amount of the deposit and send a notice to the person responsible for accounting records.

All invoices shall be held by the Finance Department along with copies of payment notices.

The Treasurer reserves the right to amend this policy relating to any other matters the Treasurer considers necessary.

## Auditing and Financial Reporting Policies

1. An independent audit will be performed annually.
2. The City will produce annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board.
3. The City will maintain a strong internal audit capability.

## Credit Card Policy

1. The City's Finance Director is responsible for the City of Madison Heights credit card accounting, monitoring, and generally for overseeing compliance with this credit card policy. The Purchasing and Personnel Coordinator is responsible for credit card issuance and retrieval.
2. A credit card may be used only by an officer or employee of the City of Madison Heights for the purchase of goods or services for the official business of the City of Madison Heights. In addition, any administrative policy that may be implemented by the City Manager may limit the specific official business for which credit cards may be used.
3. An officer or employee using credit cards issued by the City of Madison Heights shall submit to the Finance Department documentation detailing the goods or services purchased, the cost of the goods or services, the date of the purchase, and the official business for which purchased.
4. An officer or employee issued a credit card is responsible for its protection and custody and shall immediately notify the Finance Director if the credit card is lost or stolen.
5. An officer or employee issued a credit card shall return the credit card upon the termination of his or her employment or service in office with the City of Madison Heights.
6. The Finance Director shall establish a system of internal accounting controls to monitor the use of credit cards issued by the City of Madison Heights.
7. The approval of credit card invoices by the utilizing department shall be completed before payment.
8. The balance including interest due on an extension of credit under the credit card arrangement shall be paid for within 60 days of the initial statement date. The City of Madison Heights shall comply with this provision.
9. Disciplinary measures shall be consistent with law for the unauthorized use of a credit card by an officer or employee of the City of Madison Heights.

## Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

### 1. Basis of Accounting

Modified Accrual is a "basis of accounting" that determines when a transaction or event is recognized in the fund's operating statements. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The Water and Sewer Fund and Police and Fire Retirement Fund use the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are both measurable and earned, regardless of when the cash is received. Expenses are recorded when incurred. All governmental funds and agency funds utilize the modified-accrual basis of accounting. The City is legally subject to the budgetary control requirements of the State of Michigan Public Act 621 of 1978, as amended (the Uniform Budgeting Act). Budgets must be adopted for the General Fund, Special Revenues Funds and Debt Service Funds. The City adopts its budget by activity, which is in accordance with the State's legal requirements. The budget follows the type of accounting that the State of Michigan directs. Modifications in such method from the accrual basis are as follows:

a. Property taxes and other revenue that are both measurable and available for use to finance operations of the City are recorded as revenue when earned. Other revenue is recorded when received.

   Properties are assessed as of December 31 and the related property taxes become a lien on the following July 1. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County's delinquent tax rolls.

b. Non-current receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.

c. Interest income on special assessment receivable is not accrued until its due date.

d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.

e. Payments for inventory types of supplies are recorded as expenditures at the time of purchase.

f. The non-current portion of vested employee benefits is reflected in the General Long-Term Debt Group of Accounts.

## 2. Budgeting

All appropriated funds are budgeted for on a modified accrual basis. In particular, employee wages are budgeted to account for the number of days scheduled for each fiscal year.

## 3. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, recorded cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of performing specific activities or attaining certain objectives. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

A. Governmental Funds

General Fund: The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of earmarked revenue from financing activities requiring separate accounting because of legal or regulatory provisions.

Debt Service Funds: Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operations of an enterprise fund.

B. Proprietary Funds

Enterprise Fund: The Enterprise Fund is used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service. The Water and Sewer Fund is the City's only Enterprise Fund.

Internal Services Funds: Internal Services Funds are used to account for activities that provide services to other funds or departments within the local government. The Motor Pool Fund is the only Internal Service Fund in the City, which provides services on a cost reimbursement basis.

The Propriety Funds are unique to government accounting. Unlike most other funds, these funds are treated similar to private businesses; in other words, the cost associated with these funds must be recovered through revenue generated from their services. Capital related charges in these funds are budgeted based upon actual cost, however for accounting purposes these capital purchases are recorded as assets and depreciated over their useful life.

C. Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, organizations, other governments or other funds. These include both the Police and Fire Retirement Fund and Retiree Health Care Fund, as well as the General Retiree Health Care Fund and Agency Funds (Tax Collection and Escrow Funds). The Police and Fire Retirement Funds and both Retiree Health Care Funds are accounted for in the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

D. Other Account Groups

Fixed Assets and Long-term Liabilities: Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Group of Accounts, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation is recorded for general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Group of Accounts, not in the governmental funds.

# BUDGET REQUIREMENTS

## Uniform Budgeting Act Requirements

The City is legally subject to the budgetary control requirements of State of Michigan Public Act 621 of 1978 as amended (the Uniform Budgeting Act). The following is a summary of the requirements of this Act, as amended according to the State Treasurer's "Bulletin for Audits of Local Units of Government in Michigan" dated April 1982 as amended by Public Act 493 of 2000:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary. Process for amendments is detailed in Budget Process Overview.
4. A public hearing must be held before budget adoption.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by activity, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

## City Charter Requirements

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. On or before the third Monday in May, the budget is legally enacted through passage of a resolution.
4. The City Manager is authorized to transfer budgeted amounts between line items within an activity category; however, any revisions that alter the total expenditures of any activity must be approved by the City Council.

## BUDGETING CONTROLS

### Internal Controls

The annual budget provides a basis of control over financial operations. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the approved budget. Activities of the General Fund, Special Revenue Funds, Debt Service Funds and Enterprise Fund are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within each individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

### Independent Audit

State statutes and the City Charter require an annual audit of all accounts of the City by certified public accountants selected by the City Council. This requirement has been fulfilled by Plante & Moran, Certified Public Accountants, in recent years. The auditor's report on the general purpose financial statements is included in the financial section of the Comprehensive Annual Financial Report. The auditor's report that relate specifically to the federal funds' single audit are reported under separate report.

## BUDGET PROCESS OVERVIEW

The Annual Budget covers a twelve month period beginning July 1st and ending June 30th.

There are several goals associated with the preparation and development of the City's annual budget document. First, the budget is a financial plan and management tool. The document should assist staff in monitoring revenues and expenditures and in evaluating the effectiveness of City program and services. Second, the budget serves as an important reference document. It should provide staff, City Council and the general public with extensive information on the nature and scope of municipal operations and services.

### Departmental Budget Requests

The budget preparation process includes the development of a five year capital improvement plan. Particular attention is given to providing sufficient justification for these budget requests.

### Building the Proposed Budget

Under the direction of the City Manager, and with the assistance of the City Assessor and other Department Heads, the Finance Director prepares an initial projection of revenues for the next fiscal year. This projection is based on reasonable assumptions of revenue generated by estimated property values and current user fees, and the most current information from the State.

Next, the City Manager establishes budget allocations for existing funding priorities and the strategy of proportioned allocations (including reduction if necessary) for each department based on available revenue. Spending priorities are based on the City's financial policies and mandated requirements, and focus on maintaining services, covering insurance and bond requirements, and the balancing of manpower, supplies and equipment.

## Budget Review and Analysis

All funding requests are sent to the City Manager and Finance Director for review and evaluation. The objectives of this phase are to:

a. Ensure that the intent of all budget requests are understood and complete.

b. Gain greater understanding of departmental goals, objectives and operations for the coming fiscal year.

c. Determine how proposed budgetary programs and associated changes are related to department goals and objectives, and the City Goal Plan.

d. Develop comprehensive information and/or request further justification on budgeted items.

Various analytical techniques are utilized in evaluating departmental budget requests. Some of these include: analysis of workload and levels of services, evaluation of historical expenditure patterns, projection of inflationary price increases, as well as review of departmental operations.

## City Manager Review

Review sessions are scheduled with the City Manager. After these discussions, the City Manager makes his final adjustments and works with the Finance Director and staff to prepare the draft of the Proposed Budget.

## City Council Adoption

After receiving the Proposed Budget, work session(s) are conducted with the City Council to familiarize members of the Council with its contents. A public hearing is conducted to assure that all persons and organizations are provided an opportunity to comment. The City Council then makes its revisions and adopts the budget for the next fiscal year.

## Budget Amendments

The City Manager is authorized to make Budgetary transfers as needed within the appropriation centers established throughout the Budget, any other transfers between appropriations may be made only by further action of the Council, pursuant to the provisions of the Michigan Uniform Accounting and Budget Act.

## Budget Calendar

### Goal Setting Plan

| | |
|---|---|
| September to October | Department Heads and City Manager develop and rank goal proposals |
| October to mid-November | City Council submits additional proposals, reviews and ranks comprehensive list of goal proposals |
| October to mid-November | Staff financial team develops three year financial forecast and future funding presentation |
| Third Saturday in November | Staff and Council review forecast results and presentation, and Council provides direction on goal plan at workshop |
| Mid-December | Council considers and adopts formal goal plan including financial estimates |
| December | Staff develops strategic work plans outlining steps to implement goal proposals |
| Early April, July and October | Staff generates quarterly goal progress reports |

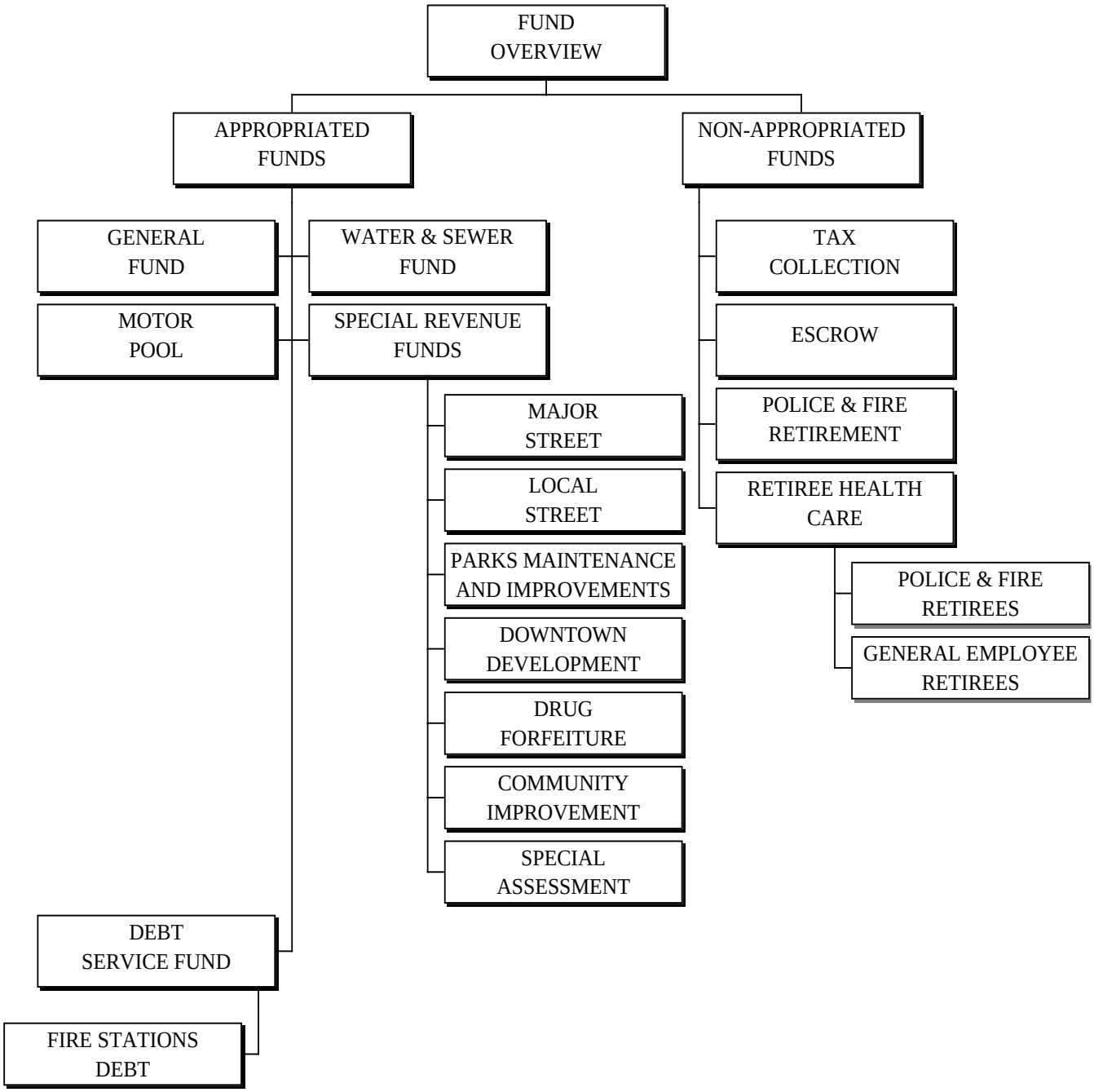
### Capital Improvement Plan

| | |
|---|---|
| Late October | City Manager requests that departments submit Capital requests for Five-Year Capital Improvement Plan (CIP)(over $30,000) |
| Mid November | Department of Public Service and Community Development Department complete the road evaluation and sign inventory survey |
| Late November | Final deadline for CIP requests to City Manager |
| Early December | Preparation of CIP worksheets, maps, graphs and tables for presentation |
| Mid December to Early January | Staff compiles requests and prepares the Five-Year CIP document |
| Late January | Presentation of Five-Year CIP to City Council |

**Operating Budget**

| | |
|---|---|
| Early January to Late March | Preparation of Personnel Schedules by Finance Department; Solid Waste and Motor Pool budgets submitted |
| Mid January to Mid February | Department Heads submit changes in user fees to Finance |
| Early February | Operating Budget Department Training Session |
| Late February | Deadline for submission of department budgets |
| Late February to Early March | City Manager's review of budget request with Department Heads |
| March | Staff compiles draft budget and City Manager prepares Budget message and narrative chapters |
| Early April | City Manager and staff resolve remaining budget concerns and other questions |
| Mid April | Staff produces Proposed Budget for submission to City Council |
| Mid April | Finance Director publishes notice of public hearing on millage rates and budget adoption |
| Third Monday in April | City Manager presents budget to Council |
| Late April/Early May | Council Budget Workshop Session(s) |
| Second Monday in May | Public Hearing on the Budget. City Council adopts Annual Operating Budget and Tax Levy |
| May/June | Staff produces Adopted Budget document and distributes to City Council, Department Heads and Public |
| Late January | Staff proposes and Council reviews and approves amendments, if needed (no special notices or public hearing required) |
| Late June | Staff proposes and Council reviews and approves year-end budget amendments, if needed (no special notices or public hearing required) |

# BUDGET FUND STRUCTURE



# BUDGET FUND STRUCTURE

The budget is organized by funds, and funds are organized by departments, divisions, or functions. A description of each of the funds is listed below. The comprehensive budget document is comprised of both appropriated and planned operating funds (non-appropriated) as shown on the facing page.

## Fund Descriptions

The City maintains accounts for 16 separate funds. The Budget includes the 11 funds that are appropriated by the City Council. The appropriated funds can be divided into five groups of funds based on the type of financial activities. The groups include the General Fund, Special Revenue Funds, Debt Service Funds, Internal Service (Motor Pool) Fund and Enterprise (Water and Sewer) Fund. The non-appropriated Fiduciary funds can be divided into two groups of funds including: Agency Funds and Trust Funds.

The General Fund, Major Street Fund, Local Street Fund, Special Assessment, Revolving Fund, and Water and Sewer Fund are considered to be major funds. Major funds are funds whose revenues, expenditures/expenses, assets or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds.

## Appropriated Funds

**1. General Fund**

The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. These activities are funded by revenues from general property taxes, state-shared revenues, court fines and fees, charges to other funds for services, permits, user fees and other sources. The Budget establishes revenues and expenditures for the activity budgets (the level on which expenditures should not exceed appropriations).

**2. Enterprise Fund - Water and Sewer Fund**

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City financed primarily by user charges. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, construction, billing and collection.

**3. Special Revenue Funds**

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted for expenditures for specific purposes. The City has seven Special Revenue Funds that are accounted for separately. A description of the Special Revenue Funds maintained by the City are as follows:

**Major Street Fund**
The Major Street Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the portion of the City's street network designated as major streets by the Michigan Department of Transportation (MDOT). Financing is provided by the City's share of state gas and weight taxes, grants, interest on investments, special assessments and maintenance agreements with the Road Commissions of Oakland and Macomb Counties.

**Local Street Fund**
The Local Streets Fund's purpose is to account for expenditures associated with the construction and maintenance needs of the portion of the City's street network designated as local streets by MDOT. Financing is provided by the City's share of state gas and weight taxes, transfers from other funds (Major Street Fund and General Fund - Proposal "R-2" Road Millage), special assessments and interest on investments.

**Parks Maintenance and Improvement Fund**
On May 14, 2007, the City entered into a license, use and maintenance agreement with the George W. Kuhn Drainage District and the Oakland County Parks and Recreation Commission regarding the 10 acre Red Oaks Soccer Complex. As consideration for the City's agreement to maintain the Complex for the next 25 years, the City received $850,000 without restrictions of its use. This Fund was established to support maintenance and improvements for both the Red Oaks Soccer Complex and other City parks.

**Downtown Development Authority Fund**
The Madison Heights Downtown Development Authority (DDA) was created in June 1997, pursuant to Act 197 of Public Acts of 1975 of the State of Michigan. The primary objective of the DDA is to establish the legal basis and procedure for the capture and expenditure of tax increment revenues in accordance with P.A. 197 of 1975 as amended, for the purpose of stimulating and encouraging private investment in the south commercial district through the provision of services and public improvements.

**Drug Forfeiture Fund**
The Drug Forfeiture Fund is used to account for revenues generated by drug forfeiture and expenditures related to the enforcement of drug laws per Public Act 251 of 1982.

**Community Improvement Fund**
The Community Improvement Fund accounts for the City's Community Development Block Grant and Housing Commission funds received from the United States Department of Housing and Development (HUD). These funds are utilized for the Senior Citizen Home Chore Program, minor home repair, barrier-free improvements and other projects that benefit low and moderate-income residents. This Division also provides assistance to low-income families with low interest and/or deferred home

improvement loans. Under the City's Housing Commission program, federal funds are used to subsidize rent payments for over 250 low-income tenants.

**Revolving Fund (Special Assessment)**
The Revolving Fund is used to record revenues and related project expenditures for special assessment districts, and City Council is able to authorize advancement of funds that are not supported by bond issues.

**4. Internal Services Fund – Motor Pool Vehicle and Equipment Fund**

The Motor Pool Vehicle and Equipment Fund is used to account for the cost of operating and maintaining all City vehicles and related equipment. The Motor Pool Division is also responsible for keeping adequate vehicle and equipment parts in stock; ordering gasoline and diesel fuel; and overseeing the work done on all emergency backup generators.

**5. Debt Service Fund – Fire Stations Debt Service Fund**

The Fire Stations Debt Service Fund accounts for principal and interest payments made on general obligation bonds issued to construct the Fire Station Headquarters, demolish and redevelop the old building site and to complete renovations to Fire Station #2.

## Non-Appropriated/Fiduciary Funds

The Trust and Agency Funds maintained by the City include the following:

**1. Agency Funds**

**Tax Collection Fund**
The Tax Collection Fund is used to account for the collection of property taxes and repayment of property taxes collected by the City on behalf of other taxing jurisdictions.

**Escrow Fund**
The Escrow Fund is used to record deposits by outside individuals or organizations. The City acts as a trustee for these funds.

2. **Trust Funds**

**Police and Fire Retirement Fund**
The Police and Fire Retirement Fund is used to account for the accumulation of resources to be used for retiree medical costs, retirement pension and annuity payments. The fund accounts for management fees, auditing and actuarial fees related to the system, some administrative costs, and pension and retiree health benefits. Resources are provided by contributions from employees at rates fixed by labor agreement and contributions from the City at amounts determined by an annual actuarial valuation. The City’s contributions are funded through a special millage authorized by Public Act 345 of 1937.

**Retiree Medical Health Care Funds**

The Police and Fire Retiree Health Care Trust, as authorized by Public Act 149, was established in 2006 for the exclusive purpose of accumulation of resources required for retiree health care benefits for eligible Police and Fire sworn employees. Retiree health care benefits may include health care, dental, and life insurance benefits or such other benefits. Resources for this fund are provided by contributions from the City at amounts determined by a biannual actuarial valuation. The City's contributions are funded through a special millage authorized by Public Act 345 of 1937.

The General Employees Health Care Trust was established in 2005 for the exclusive purpose of accumulation of resources required for retiree health care benefits. Retiree health care benefits may include health care, dental, and life insurance benefits or such other benefits. Resources for this fund are provided by contributions from the City at amounts determined by a biannual actuarial valuation. This Trust has been established through the Michigan Employees Retirement System (MERS) as authorized by Public Act 149.

# APPROPRIATIONS CHAPTER

The Appropriations Chapter provides the backup and support materials for concepts and programs introduced in the Budget Overview. This chapter presents changes to the base budget that outlines modifications that are necessary for the City to meet its existing obligations in the new budget year.

## Changes to the Base Budget

### Personal Services

Wages

The personal services account group includes funding of $24.7 million or over 45.7 percent of all funds appropriation totals. In the General Fund, personal services make up over $22.3 million or 67.8 percent of the budget. With the exception of eight executive and administrative employees, the City's full-time workforce belongs to one of eight bargaining units. The Budget calls for a pay freeze for all bargaining units; scheduled step adjustments based on years of service; full funding of appropriate cost-of-living adjustments, longevity, police and fire holiday, education, uniform, food and fire fighter paramedic premium pays; and related impact on salary driven fringe benefits.

Status of Labor Negotiations

All eight of the bargaining units have current labor agreements that expire on June 30, 2008:

1. Madison Heights Court Clerks Association - Settled July 1, 2006 to June 30, 2008
2. Department Heads Union - American Federation of State, County and Municipal Employees (AFSCME) Council 25 - Settled July 1, 2002 to June 30, 2008
3. Madison Heights Fire Fighters Association - Settled July 1, 2002 to June 30, 2008
4. Municipal Employees Union - Technical, Professional and Officeworkers Association of Michigan (TPOAM) - Settled July 1, 2002 to June 30, 2008
5. Madison Heights Police Officers Association/Police Officers Association of Michigan - Settled July 1, 2002 to June 30, 2008
6. Madison Heights Police Command Officers Association - Settled July 1, 2002 to June 30, 2008
7. Supervisors and Assistants Union - AFSCME Local 1917 - Settled July 1, 2002 to June 30, 2008
8. Department of Public Service - TPOAM - Settled July 1, 2005 to June 30, 2008

### Medical Costs

- Health Care Coverage - Current Employees

The largest fringe benefit cost is $4.2 million for health care coverage. For the purpose of negotiated benefits, employees are divided into two groups: active (currently employed) and retired. Through the last two rounds of negotiations, the City has moved employees from the standard Blue Cross

- Blue Shield coverage (traditional plan) to a more economical managed care coverage. On July 1, 2006, all active employees formerly on the Community Blue (preferred provider) coverage plan (PPO) were moved to the Municipal Employees' Retirement System (MERS) Premier PPO plan at a substantial ($325,000) annual savings. The cost for the MERS Premier now ranges from $5,727 to $16,655 per employee per year, depending on the household size.

In the case of the Court Clerks, Department Heads, Teamsters DPS, Municipal Employees, and the Supervisors and Assistants Unions, all new hires are required to join the Blue Care Network plan. Blue Care Network, the City's health maintenance organization (HMO), premiums range from $5,164 to $12,395 per employee per year, depending on household size. All current and retired employees do have the option of switching to Blue Care Network, which results in savings on deductibles, co-payments, and the filing of insurance forms.

As employees moved to the PPO and HMO coverage, the City saved substantially in premium costs. In 1994, the City instituted a health care cost measure that provided the employees financial incentives to move to the HMO, or switch to coverage by their former employers or spouse's employer health provider insurance. As of July 1, 2006, the City's active employees maintain the following coverage: traditional, 0; PPO, 110; HMO, 67; and 16 employees that have dropped City insurance due to coverage being provided otherwise. The City's retirees maintain the following coverage: traditional, 0; Preferred Provider, 126; and HMO, 7.

At the conclusion of the last round of negotiations, the City has in place a new cost containment measure moving all employees to a $10 generic and $20 non-generic prescription co-pay program.

To partially offset the cost to employees for the higher prescription drug card deductible, the City has increased the allowable employee only medical reimbursement to $125 per year and have expanded allowable reimbursements to include not only co-pays for physicals but prescription out-of-pocket expenses.

In January 2006, the City and its labor groups began a new era, with the Council's approval of the new three year agreement with the Department of Public Services Field Workers TPOAM unit. As a result of the new funding reality, the parties crafted a contract that should help the City in the long run contain benefit costs and allow the City to continue to provide vital basic services.

Under the terms of the labor contract, the group was provided three annual 3% general salary adjustments and agreed to the following concessions:

1. All active employees were moved to the HMO medical insurance;
2. The former employee medical incentive to select the HMO was eliminated;
3. All employees hired after July 1, 2005:
    a. Will no longer be eligible for a defined benefit pension plan, but instead will be provided a defined contribution pension where the City makes contributions during the employees' work career and employees will also make mandatory contributions; and,

b. Will no longer be eligible for unlimited retiree and spouse medical coverage, but instead will be provided a defined contribution health care savings account where the City makes contributions during the employees' work career and employees make mandatory contributions.

- Health Care Coverage - Retirees

The overall increase (9%) in medical, dental and life insurance costs for Police and Fire retirees raised the City's cost by $175,000 to $2,056,000. In regard to retired employee coverage, the City, at this time, allows eligible retirees to retain their level of coverage that they maintained at the time of retirement. This means that most retirees have retained the MERS Premier (PPO) plan. The cost for the MERS Premier retirees for next year ranges from $10,825 to $22,191 per retiree per year, for either employee or employee plus spouse household coverage.

- Pensions

The second largest fringe benefit cost component is the employer's contribution to the employee retiree pension plans. The City's full-time workforce is divided into two pension groups. All Police and Fire sworn employees are members of the Police and Fire Pension Fund established pursuant to Michigan Public Act 345. The remainder of the full-time employee workforce is covered by the Municipal Employees' Retirement System (MERS).

The budget for the employer contribution to the Police and Fire Pension Fund is 21.9% of total wages based on the City's actuary 2007 recommended contribution rate. In regard to the MERS plan, the pension contribution is budgeted by union group ranging from 7.0% for District Court Clerks to 19.6% for non-Union Court Employees and Department Heads. For comparison purposes, the average MERS contribution rate increased from 11.3% in FY 2007-08 to 11.6% for FY 2008-09.

As part of the last round of negotiations, the City has agreed to reduce the pension contribution formerly required for various labor groups. In general, the City set a pattern of awarding the employees a reduction on their pension contributions by 2.53% from the former contribution levels. The standard reduction is budgeted for the Firefighters, Police Officers Association and the Police Command Officers Association. In the case of the Departments Heads Union, in place of pension contribution reductions, the City has introduced a 2.53% deferred compensation contribution for these employees. For the Municipal Employees Union, they negotiated a phase out of their current 1.8% pension contribution, and additional benefits like a raised tuition refund to $600 per year and increased the HMO opt-out incentive to $2,400 annually (all employees except DPS-Field Workers now have this provision). The Supervisors and Assistants Union negotiated an elimination of their 1.63% pension contribution and an employee-supported upgrade of their pension plan to the Michigan Municipal Employee Retirement System B-3 Plan (2.25% per year multiplier) and a new employee contribution rate of 2.44%. In regard to the Court Clerks, as negotiated by District Court Judge Turner, they have maintained a 3.04% contribution rate, which allows them to retire at age 50 with 25 years of service as opposed to the other non-Police and Fire sworn groups, which are required to attain the age of 55 with 15 years of service.

- Pre-funding Retiree Health Care

In April 2004, the Governmental Accounting Standards Board (GASB) issued new regulations for the purpose of improving disclosure for liabilities associated with future retiree health care cost, similar to the existing pension obligation disclosure requirements. Based on these new GASB guidelines, the City is now required to disclose our liabilities and contributions to fund these liabilities over the next 30 year time frame.

The liability has been calculated to be $59.2 million over the next 30 years. Based on two studies of these projected liabilities, the actuary has set contribution rates of 19.68% and 18.33% of total wages for Police and Fire Pension and MERS Pension employees respectively. The total budget for this expense will exceed $2.4 million.

- Dental Coverage

Based on the settlement of the last round of agreements, all employees have been moved to the Delta Premier PPO, which will increase their annual benefit to $1,500 per year, for specified dental procedures. In addition, the City has expanded coverage to provide a maximum $1,000 lifetime benefit for orthodontics. Dental and orthodontic coverage increased an average of $59 (6%) per employee per year to an average of $1,135.

- Life Insurance Coverage

The Madison Heights Fire Fighters Association, Police Command Officers Association, Police Officers Association of Michigan and the Department Heads' bargaining groups were recently awarded upgraded $50,000 life insurance policies. The Municipal Employees Union; DPS Employee - Field Workers (TPOAM); the Supervisors and Assistants Union; and the Court Clerks have a $35,000 policy. Many retirees receive $10,000 in coverage. The annual premiums for these coverages are budgeted at current levels of $56 to $279 per employee. The City is enjoying a savings in these rates of 3% or more since joining the MERS sponsored life insurance purchase program.

- Worker's Compensation

Annually, the City makes significant contributions to the Worker's Compensation Insurance Fund to compensate employees for lost wages resulting from on-the-job injuries. Despite workplace safety programs, and improved equipment and supervision used by the City to protect workers, the workforce has experienced several serious long-term injuries in Public Service, Police and Fire. The Budget for the Worker's Compensation Insurance contribution has been increased by $168,000 or 57% to $459,000.

- Other Benefits

Optical insurance rates of $95 per employee have not changed.

Short-term and long-term disability costs have held level at $96,000.

The employer's contribution rates for Social Security (6.2% of eligible wages), Medicare (1.45% of eligible wages), sick leave buy back rates, all uniform allowances and firefighter food allowance

remained the same. The only other change in the budget allocated to these items is a result of changes in staffing costs to which these rates are being applied.

- Employee Wellness Program

Funding for the Employee Wellness Program bonuses has been frozen at current levels. One highlight for this year is that the Madison Heights Firefighters Association Union members have started to participate in the program.

- Longevity Pay

Historically, the City has provided employees with longevity pay based on achieving their anniversary dates at 5, 10, 15 and 20 years, with awards of longevity pay based on their salary of 2%, 4%, 6% and 8% of wages respectively. Starting in 1994, the City has been attempting to eliminate longevity pay for employees hired after this date. With the exception of the Police Officers, Police Command Officers and Fire Fighters Unions, all other groups have agreed to eliminate longevity pay for new employees. In regard to the Police Officers Union, new hires after 1994 receive 1%, 3%, 5% and 6% as they hit the four anniversary dates. Police Command Officers have the same reduction for employees hired after 1997.

**Supplies/Other Services and Charges**

The budget for the Supplies Account increased less than 3 percent, with most accounts held constant or reduced. The cause of the increase is associated with:

Salt prices rose sharply during the winter of 2007-08, due to one of the highest snow falls in history. The City stockpiles of salt were greatly diminished, but remained adequate to last until spring. The budget includes funding to build up salt reserves and adjust for the rise in price from $26.17 to a project $32.57 per ton resulting in a $31,000 increase.

Traffic control supplies account was increased by $21,500. The primary reason for this increase was to fulfill 2008-09 Goal Plan item to develop a plan to fund the purchase and installation of vertical reflective strip for stop signs ($18,000) in an effort to enhance traffic safety.

The rising cost of gasoline has resulted in an overall $54,000 increase in the motor pool charges to City departments.

In the area of Other Services and Charges budget increases were held to minimum. The City's success in holding down liability by effectively managing risk in conjunction with increasing the per claim deductible to $250,000 resulted in a $113,000 reduction in premiums for next year. The largest contractual increase of $40,000 was a result of a scheduled 3.1 percent rise in rates in the waste collection and recycling contract.

## RESOURCE SHARING

The City of Madison Heights has worked hard to develop a wide-range of meaningful long-term partnerships. These include relations with neighboring communities such as the Cities of Royal Oak, Ferndale, Hazel Park and Clawson; Oakland County, the Road Commission for Oakland and Macomb Counties, Southeast Michigan Council of Governments (SEMCOG), Oakland County Drain Commission (OCDC) and the George W. Kuhn Drain District.

### Mayor and Council

The City is a member of the Michigan Municipal League (MML) and benefits from many of their programs. The City has opted to join the MML Defense Fund. This advocacy program provides support and assistance to the City and the City's attorneys, in court cases where the issues have a broad impact on both the municipality involved in the case and on other municipalities in the State.

The MML also provides valuable training to the City's elected officials and employees. Seminars provide up-to-date information on major issues and concerns relating to local government. The City Council and staff also attend the MML Legislative Conference and Annual Convention, which provides a forum where attendees learn from experts in the field and network with other municipalities. General sessions, workshops, a trade show and social activities offer information and learning experiences for elected and appointed officials.

### Elections

The City Clerk's Department has election coordinating agreements with Oakland County and Lamphere, Madison and Royal Oak school districts to provide services of running the annual school district elections. These agreements are renewable every two years.

In the fall of 2007, the City entered into an inter-local agreement with Oakland County to provide the canvassing of local elections.

### City Assessor

The Assessing Department often shares resources with other units of government in the Michigan Tax Tribunal appeal where property overlaps municipal boundaries. Recent examples include the public utility cases (DTE/Consumers Power) and Wide Open West Cable Television, thereby minimizing legal expenses by spreading them over a larger group of municipal entities.

### General Administration/Purchasing

Madison Heights has collaborated with the Michigan Intergovernmental Trade Network (MITN), which is a group of agencies, mostly local governments, that joined forces to create a regional bid cooperative to notify companies of new bid opportunities. This system reduces the cost for both

the City and its vendors by lowering the cost of advertising and bring more competition to the process. All bid information is offered to vendors at no cost. The City also participates in the State Of Michigan, Oakland County and Macomb County Cooperative bid programs.

**Human Resources**

The City has coordinated efforts with many different governmental pools in order to save money on insurance premiums. The City was one of the first members to participate in the liability insurance pool offered through the Michigan Municipal Risk Management Authority (MMRMA).

The City also works with Municipal Employee Retirement System (MERS) for pooling of insurance benefits. In September of 2005, the City utilized these resources to change vendors for short-term disability, long-term disability and life insurance. The savings to the City has been in excess of $90,000 per year in premiums.

In July 2006, the City also switched vendors for health and prescription insurance coverage from Blue Cross Blue Shield to MERS Premier Health. Twenty-one months into the new program services are running smoothly, customer service has been very attentive and the City saved over $325,000 in insurance premiums the first year.

MERS is always looking for ways it can assist municipalities in consolidating administrative activities and providing services that are more efficient. In June 2006, MERS presented the option to municipalities with 345 Police and Fire Pension systems to invest in their portfolio in the same manner we currently use independent money mangers. This is being offered to reduce administration fees and offer better returns to the plan and its members. In March 2007, the Police and Fire Pension Board and the City Council approved the transfer of one-half of assets or $27.5 million to the MERS Investment Services Program (ISP) program.

**Finance**

The Treasury Office of the Finance Department collects taxes for other entities including the Lamphere, Madison, and Royal Oak School Districts, Oakland County, Oakland County Intermediate School District, Oakland Community College and Huron-Clinton Metro Park Authority.

The Treasury Office also utilized the County Treasury Department for collection of delinquent personal property taxes.

**Police**

The Police Department participates in a number of cooperative efforts with other law enforcement agencies. The Police Department has an officer assigned to the multi-jurisdictional Crime Suppression Task Force (CSTF) and provides office space in the basement of the police building for the CSTF office. CSTF focuses its operations on the identification and arrest of individuals involved in criminal activity through a combination of directed patrol, surveillance, undercover operations and intelligence gathering.

Another officer is assigned to the Oakland County Narcotics Enforcement Team (NET) whose primary responsibility is to eliminate or reduce controlled substance trafficking in Oakland County. NET conducts investigations leading to identification, apprehension and prosecution of controlled substance law violators primarily through undercover investigations.

While not currently providing an officer to the Auto Theft Unit due to personnel staffing issues, the Police does provide office space in the police building basement for the offices for the Oakland Curtail Auto Theft (OCAT) Unit.

The Police Department's Special Investigations Unit conducts surveillance, undercover operations, fugitive apprehensions and conducts all types of criminal investigations both locally initiated and in conjunction with other law enforcement agencies including the Federal Bureau of Investigation (FBI), Drug Enforcement Agency (DEA), Oakland County Sheriff's Office, Detroit Police Department, NET, CSTF, OCAT and many local police departments.

Madison Heights Police Department has two officers assigned to the three city (Ferndale, Royal Oak and Madison Heights) cooperative Special Weapons and Tactics Team or Southeast Oakland SWAT. By combining the resources of multiple agencies, a quality unit capable of addressing critical incidents can exist without draining the resources of the jurisdiction involved.

The Police Department's K-9 team cooperatively trains with other area K-9 units on a weekly basis. The Department of Public Service built a K-9 training area on city property to be used by the area K-9 teams during their weekly training sessions. In addition, the Police Department K-9 team assists area schools and other police jurisdictions with K-9 Drug Sweeps at local schools, when requested.

The Police Department annually assists the Oakland County Probation Department with their Operation Nighthawk. This annual inspection involves home visits to area probationers to check on their behavior and monitoring their probationary requirements.

The Police Department entered a local agreement with the City of Royal Oak and the Royal Oak Police Department to share and coordinate police radio antennas and repeater functions to improve the radio reception and area coverage for both police agencies.

The Police Department is involved in a major data and information sharing cooperative effort with Oakland County CLEMIS (Courts & Law Enforcement Management Information System) to include Records Management, Mugshot Imaging, Fingerprint recording also known as LiveScan or AFIS, Field Based Reporting, Crime View or crime mapping and Video Arraignment.

**Fire Services**

The Fire Department provides tactical medics in conjunction with the South Oakland Special Weapons and Tactics (SWAT) Team that is made up of the Cities of Ferndale, Madison Heights and Royal Oak.

They participate in the hazardous materials response through Oakway Mutual Aid Pact with the Cities of Birmingham, Ferndale, Pontiac, Royal Oak, Southfield, West Bloomfield and Townships of Bloomfield and Waterford.

The Fire Department also participates in the Technical Rescue Response and fire incident response through the Oakland Mutual Aid pact.

Madison Heights runs an American Heart Association Community Training in conjunction with Hazel Park and owns a training tower and draft pit that can be utilized by other communities reducing their cost for training.

For the past four years the Fire Department and City Administration has been diligently working with the Cities of Ferndale, Hazel Park, Royal Oak, Pleasant Ridge and Royal Oak Township to provide consolidated fire protection and Emergency Medical Services. This effort has resulted in the communities (minus Royal Oak) implementing an automatic mutual aid for structure fire suppression.

**Community Development**

- Planning

The Community Development Department has many cooperative agreements, which are very beneficial.

The City collaborates with Oakland County for Geographic Information System (GIS) data collection and maintenance; this is estimated to save the city approximately $50,000 per year.

Staff also shares road transportation data creation and maintenance with SEMCOG and utility data creation and maintenance with the OCDC this is estimated at $13,000 per year savings.

The City also benefits from collaborating with Road Commission of Oakland County (RCOC) and Macomb County Road Commission for winter and summer maintenance agreements and the creation and maintenance of road transportation data.

The Michigan Department of Transportation, SEMCOG and RCOC partner with the city for an annual Pavement Surface Evaluation and Rating (PASER) road condition assessment. RCOC also allows the City to utilize their contractor and contracted rate for road ratings, which saves the City $4,500 per year.

The Cities of Royal Oak, Troy, Warren, Hazel Park and Madison Heights work together to jointly administer road projects.

- Rodent Abatement

In the fall of 2006, the Cities of Berkley, Ferndale, Hazel Park, Huntington Woods, Madison Heights, Oak Park, Pleasant Ridge and Royal Oak held several meetings to discuss options for addressing the rodent problem in Southeastern Oakland County. The City of Madison Heights took the lead in preparing a Request for Proposal so that a quality vendor might be selected who would be referred to residents undergoing rodent control problems, thereby providing a timely remedy and reducing the property owners' cost. The cooperative pilot program has run successfully for one year with communities renewing on a year to year basis.

**Library**

The City's library coordinates efforts many ways with two most beneficial consortiums, the Library Network (TLN) and the Michicard program.

TLN benefits the community in various ways, from the reciprocity that allows a resident of one participating community library to borrow a book at another or to have a book sent to the local library through interlibrary loans, the ability to search the holdings of participating libraries, use of shared technology and discounted pricing on book purchases. The cooperative efforts take many forms, and while each community does have to support its own library to participate, it addresses the fact that not every library can supply everything, and avoids some duplication of effort.

The Michicard program allows members of different library cooperatives to borrow print material from each other. Madison Heights participates in the Michicard program along with Sterling Heights and Warren, who are part of the Suburban Library Cooperative, thereby allowing print materials to be borrowed from those locations, which otherwise would not have been possible.

**Department of Public Services**

The City has partnered with Macomb County Department of Public Works, and communities in the Red Run Subwatershed of the Clinton River Watershed toward a joint effort for ongoing compliance with the approved National Pollution Discharge Elimination System Storm Water Permit requirements. In Fiscal Year 2007-08, the City joined the Clinton River Watershed Council to promote and hold compliance events and activities.

For water distribution and sewage collection, the City is a suburban customer within the Detroit Water and Sewerage Department (DWSD) system. The City is currently working with the DWSD and its Technical Advisory Committee toward a new model contract to address concerns about rate volatility, complexity, and fairness.

For the past six years, the City has applied for and received Oakland County grants and training to assist with mosquito larviciding of catch basins and areas of standing water to prevent the spread of West Nile Virus.

The City is also in year five of a City-wide effort to remove dead or dying ash trees, as part of a statewide program to eradicate the Emerald Ash Borer. The program has included grants from the Michigan Department of Natural Resources (MDNR) and working collaboratively with the MDNR to develop the contract specifications for approved tree removal contractors.

The Recreation Division and Little House on Hales work with many organizations to provide a variety of services.

Private Sector – local businesses provide funding to sponsor the youth sports leagues, as well as financially supporting the annual fireworks display.

Friends of Madison Heights Youth – continues to offer funding for the Teen Program.

Royal Oak Y.M.C.A. – provides learn-to-swim lessons for residents in a middle school pool for which the City takes the registrations and promotes the program.

Clawson Recreation Department – does joint programming for adult recreation programs, water aerobics, yoga, ballroom dance, etc.

Gateway Counseling Center – provides a doctoral intern student to provide guidance and coordinates peer counseling to develop core values.

Michigan Recreation and Parks Association – provides a partnership in selling discount amusement park tickets.

Oakland County Parks and Recreation Department – provides three free mobile recreation units, such as show mobiles, puppet shows and climbing walls. The City provides the Nature Center for Oakland County to conduct their summer orientation for all those working at the wave pool. The City has also worked closely with the County in developing a junior golf league.

Public School Districts – provide gyms and ball fields for our recreation sport programs.

George W. Kuhn Drainage District – is constructing a soccer complex on their property which will be maintained by the City as part of a twenty-five year agreement.

The Senior Citizens Division works together with several organizations. The following is a list of organizations and what services are provided.

Suburban Mobility Authority for Regional Transportation – provides transportation funding as well as reduced cost handicapped accessible bus.

American Association of Retired Persons – for the past several years has provided a drivers education refresher course as well as income tax preparation for 150 seniors.

Wayne State Student Nurses – provide a student nurse at the Center three days a week for counseling, blood pressure, health fairs and programs.

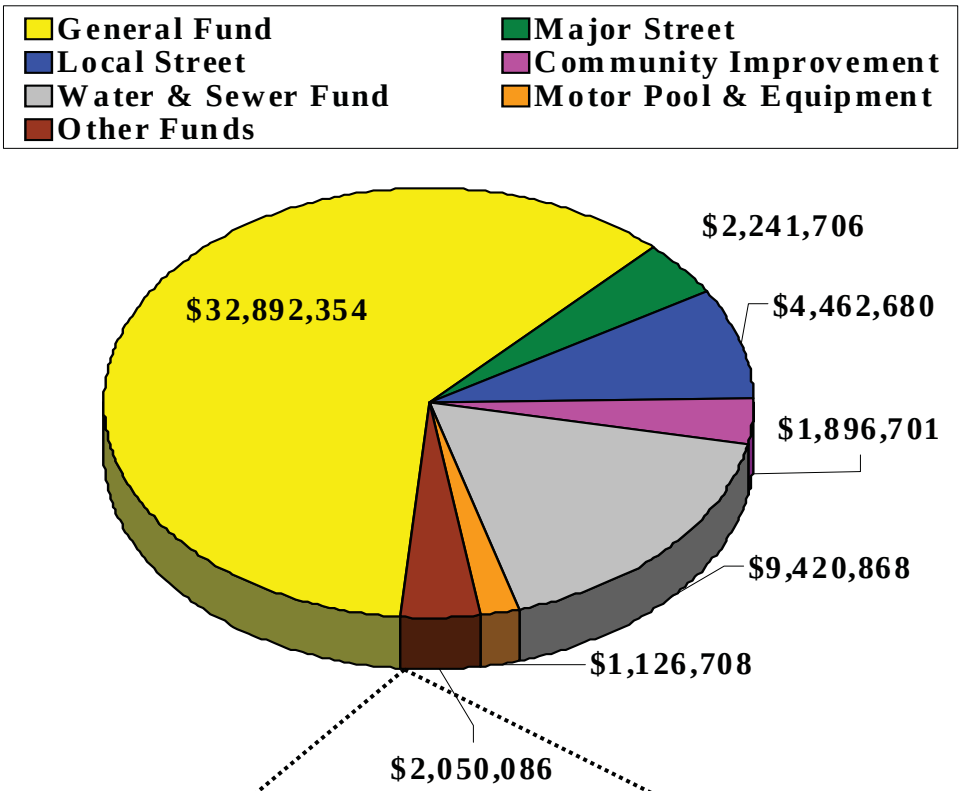
Oakland County Mobile Meals – provides a State funded nutrition site at the Senior Center, as well as home bound meals.

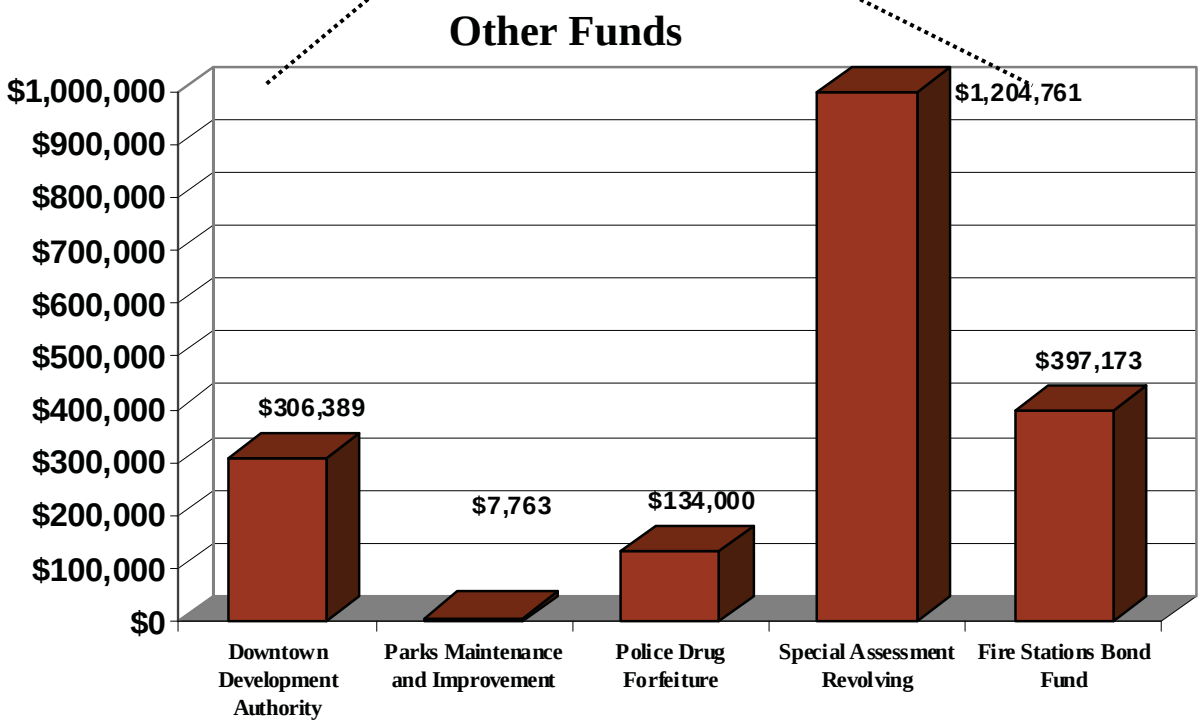
Gateway Counseling Center – offers student interns an opportunity to conduct small group and individual counseling appointments free of charge at the Senior Center.

University of Detroit Law School – provides law students and professionals an opportunity to meet with senior citizens on a monthly basis to assist in legal matters.

## ALL FUNDS APPROPRIATIONS

## FISCAL YEAR 2008-09




Over three-quarters of the City's operations are supported through the General Fund (60.8%) and the Water and Sewer Fund (17.4%).

## TOTAL APPROPRIATIONS SCHEDULE

## ALL FUNDS

## FISCAL YEAR 2008-09

| Fund Name | Actual 2006-07 | Estimate 2007-08 | Budget 2008-09 | | Increase (Decrease) FY 2007-08 to FY 2008-09 | Percent Change |
|---|---|---|---|---|---|---|
| General Fund | $ 31,770,407 | $ 32,488,879 | $ 32,892,354 | | $ 403,475 | 1.2 |
| Major Street | 2,250,669 | 2,055,007 | 2,241,706 | | 186,699 | 9.1 |
| Local Street | 3,417,128 | 4,288,227 | 4,462,680 | | 174,453 | 4.1 |
| Parks Maintenance and Improvements | 0 | 0 | 7,763 | | 7,763 | 0.0 |
| Downtown Development Authority | 109,319 | 452,592 | 306,389 | | (146,203) | (32.3) |
| Police Drug Forfeiture | 148,969 | 175,000 | 134,000 | | (41,000) | (23.4) |
| Community Improvement | 1,749,458 | 2,204,200 | 1,896,701 | | (307,499) | (14.0) |
| Special Assessment Revolving | 1,174,845 | 846,474 | 1,204,761 | | 358,287 | 42.3 |
| Fire Stations Bond Fund | 381,810 | 392,292 | 397,173 | | 4,881 | 1.2 |
| Fire Station Construction | 17,978 | 46,701 | 0 | | (46,701) | (100.0) |
| Water & Sewer Fund | 7,773,237 | 10,410,857 | 9,420,868 | | (989,989) | (9.5) |
| Motor & Equipment Pool | 1,063,424 | 1,145,473 | 1,126,708 | | (18,765) | (1.6) |
| **Total Appropriations** | $ 49,857,244 | $ 54,505,702 | $ 54,091,103 | * | $ (414,599) | (0.8) |

* Net Budget is $48.3 million excluding duplicate interfund transfers and charges.

## ALL FUNDS SUMMARY

## FISCAL YEAR 2008-09

| Activity | General Fund | Major Street | Local Street | Parks Maintenance & Improvement | Downtown Development Authority | Police Drug Forfeiture |
|---|---|---|---|---|---|---|
| City Council | $ 56,723 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| District Court | 1,501,286 | 0 | 0 | 0 | 0 | 0 |
| City Manager | 333,327 | 0 | 0 | 0 | 0 | 0 |
| Elections | 62,040 | 0 | 0 | 0 | 0 | 0 |
| City Assessor | 377,588 | 0 | 0 | 0 | 0 | 0 |
| Legal | 314,415 | 0 | 0 | 0 | 0 | 0 |
| City Clerk | 263,916 | 0 | 0 | 0 | 0 | 0 |
| Personnel | 256,279 | 0 | 0 | 0 | 0 | 0 |
| Board of Review | 3,588 | 0 | 0 | 0 | 0 | 0 |
| General Administration | 1,011,382 | 0 | 0 | 0 | 0 | 0 |
| Finance | 853,993 | 0 | 0 | 0 | 0 | 0 |
| Information Technology | 253,640 | 0 | 0 | 0 | 0 | 0 |
| Municipal Building | 428,937 | 0 | 0 | 0 | 0 | 0 |
| Custodial & Maintenance | 260,699 | 0 | 0 | 0 | 0 | 0 |
| Police | 10,433,687 | 0 | 0 | 0 | 0 | 134,000 |
| Fire | 5,990,455 | 0 | 0 | 0 | 0 | 0 |
| Community Development | 1,149,979 | 0 | 0 | 0 | 245,981 | 0 |
| Streets | 968,550 | 2,241,706 | 4,251,680 | 0 | 0 | 0 |
| Solid Waste | 2,455,033 | 0 | 0 | 0 | 0 | 0 |
| Recreation | 212,421 | 0 | 0 | 0 | 0 | 0 |
| Youth Center | 61,013 | 0 | 0 | 0 | 0 | 0 |
| Nature Center | 175,896 | 0 | 0 | 0 | 0 | 0 |
| Parks | 876,865 | 0 | 0 | 7,158 | 0 | 0 |
| Senior Citizens | 651,192 | 0 | 0 | 0 | 0 | 0 |
| Outside Agencies | 60,489 | 0 | 0 | 0 | 0 | 0 |
| Library | 656,256 | 0 | 0 | 0 | 0 | 0 |
| Water and Sewer | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance/Bonds/Transfers | 3,222,705 | 0 | 211,000 | 605 | 60,408 | 0 |
| Motor Pool | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriations | $ 32,892,354 | $ 2,241,706 | $ 4,462,680 | $ 7,763 | $ 306,389 | $ 134,000 |

## ALL FUNDS SUMMARY

## FISCAL YEAR 2008-09

| Community Improvement | Special Assessment Revolving | Fire Station Debt Fund | Water and Sewer Fund | Motor Pool and Equipment Fund | Total | |
|---|---|---|---|---|---|---|
| $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 56,723 | City Council |
| 0 | 0 | 0 | 0 | 0 | 1,501,286 | District Court |
| 0 | 0 | 0 | 0 | 0 | 333,327 | City Manager |
| 0 | 0 | 0 | 0 | 0 | 62,040 | Elections |
| 0 | 0 | 0 | 0 | 0 | 377,588 | City Assessor |
| 0 | 0 | 0 | 0 | 0 | 314,415 | City Attorney |
| 0 | 0 | 0 | 0 | 0 | 263,916 | City Clerk |
| 0 | 0 | 0 | 0 | 0 | 256,279 | Personnel |
| 0 | 0 | 0 | 0 | 0 | 3,588 | Board of Review |
| 0 | 0 | 0 | 0 | 0 | 1,011,382 | General Administration |
| 0 | 0 | 0 | 0 | 0 | 853,993 | Finance |
| 0 | 0 | 0 | 0 | 0 | 253,640 | Information Technology |
| 0 | 0 | 0 | 0 | 0 | 428,937 | Municipal Building |
| 0 | 0 | 0 | 0 | 0 | 260,699 | Custodial & Maintenance |
| 0 | 0 | 0 | 0 | 0 | 10,567,687 | Police Department |
| 0 | 0 | 397,173 | 0 | 0 | 6,387,628 | Fire |
| 1,896,701 | 612,066 | 0 | 0 | 0 | 3,904,727 | Community Development |
| 0 | 0 | 0 | 0 | 0 | 7,461,936 | Streets |
| 0 | 0 | 0 | 0 | 0 | 2,455,033 | Solid Waste |
| 0 | 0 | 0 | 0 | 0 | 212,421 | Recreation |
| 0 | 0 | 0 | 0 | 0 | 61,013 | Nature Center |
| 0 | 0 | 0 | 0 | 0 | 175,896 | Youth Center |
| 0 | 0 | 0 | 0 | 0 | 884,023 | Parks |
| 0 | 0 | 0 | 0 | 0 | 651,192 | Senior Citizen |
| 0 | 0 | 0 | 0 | 0 | 60,489 | Outside Agencies |
| 0 | 0 | 0 | 0 | 0 | 656,256 | Library |
| 0 | 0 | 0 | 9,420,868 | 0 | 9,420,868 | Water and Sewer |
| 0 | 592,695 | 0 | 0 | 0 | 4,087,413 | Insurance/Bonds/Transfers |
| 0 | 0 | 0 | 0 | 1,126,708 | 1,126,708 | Motor Pool |
| $ 1,896,701 | $ 1,204,761 | $ 397,173 | $ 9,420,868 | $ 1,126,708 | $ 54,091,103 | Total Appropriations |

## ALL FUNDS APPROPRIATIONS

## PER STATE OF MICHIGAN DETAILED CATEGORY CLASSES

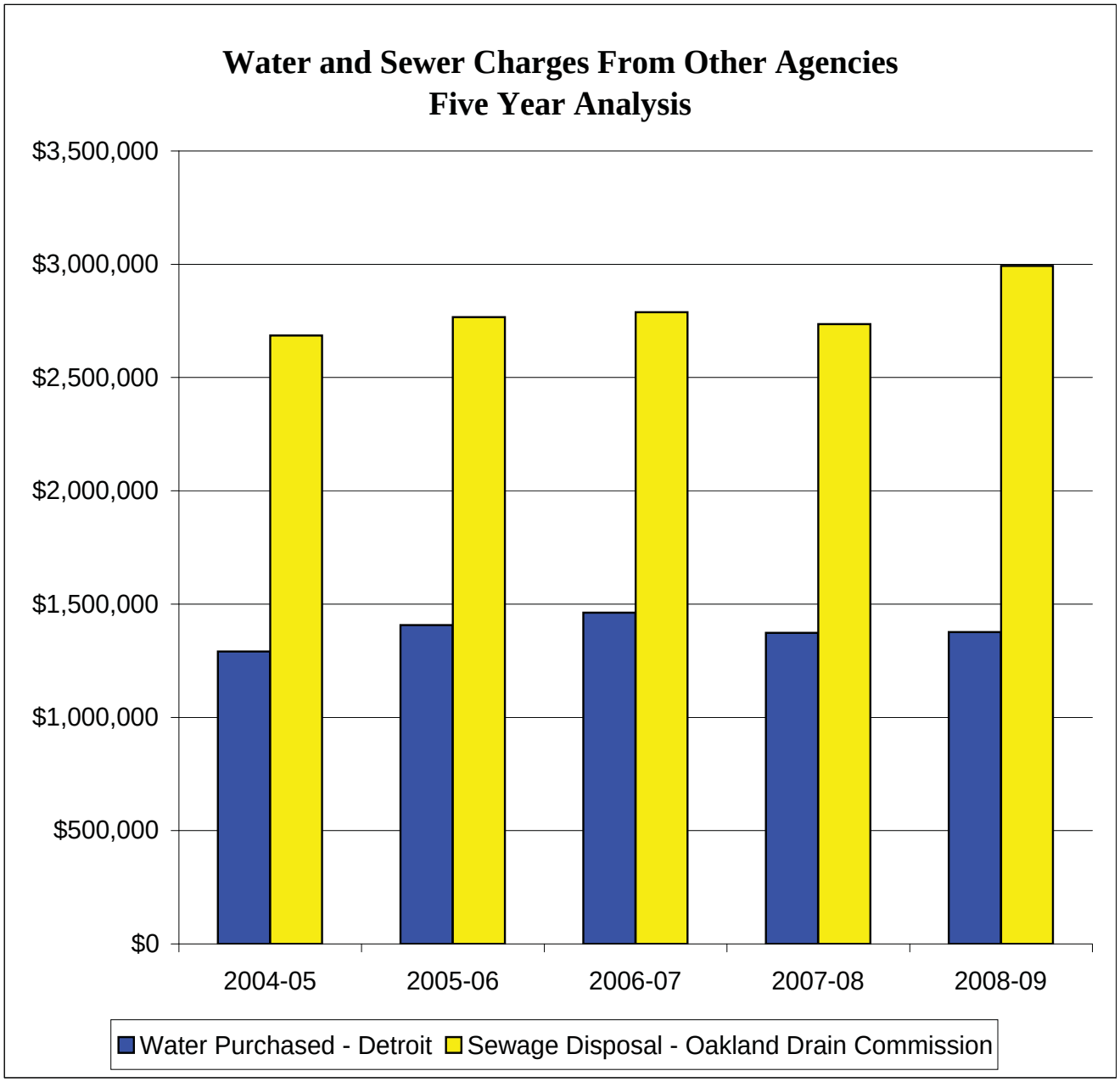
## FISCAL YEAR 2008-09

| Activity | Personal Services | Supplies | Other Services & Charges | Capital Outlay | Total |
|---|---|---|---|---|---|
| City Council | $ 49,734 | $ 0 | $ 6,989 | $ 0 | $ 56,723 |
| District Court | 1,049,996 | 33,100 | 368,190 | 50,000 | 1,501,286 |
| City Manager | 296,510 | 200 | 9,617 | 27,000 | 333,327 |
| Elections | 41,565 | 9,000 | 11,475 | 0 | 62,040 |
| City Assessor | 351,516 | 2,405 | 23,667 | 0 | 377,588 |
| Legal | 0 | 5,300 | 309,115 | 0 | 314,415 |
| City Clerk | 248,406 | 7,500 | 8,010 | 0 | 263,916 |
| Human Resources | 212,084 | 0 | 44,195 | 0 | 256,279 |
| Board of Review | 2,382 | 0 | 1,206 | 0 | 3,588 |
| General Administration | 761,750 | 78,857 | 170,775 | 0 | 1,011,382 |
| Finance | 756,372 | 10,335 | 87,286 | 0 | 853,993 |
| Information Technology | 240,340 | 10,700 | 600 | 2,000 | 253,640 |
| Municipal Building | 0 | 0 | 118,937 | 310,000 | 428,937 |
| Custodial & Maintenance | 111,855 | 20,300 | 128,544 | 0 | 260,699 |
| Police | 9,648,754 | 184,500 | 600,433 | 134,000 | 10,567,687 |
| Fire | 5,292,396 | 51,450 | 574,851 | 71,758 | 5,990,455 |
| Community Development | 1,169,743 | 9,350 | 1,847,587 | 20,000 | 3,046,680 |
| Streets | 865,382 | 325,780 | 1,917,821 | 5,211,000 | 8,319,983 |
| Solid Waste | 550,022 | 16,490 | 1,868,521 | 20,000 | 2,455,033 |
| Recreation | 107,784 | 36,690 | 67,947 | 0 | 212,421 |
| Youth Center | 39,395 | 8,900 | 12,718 | 0 | 61,013 |
| Nature Center | 120,721 | 28,825 | 26,350 | 0 | 175,896 |
| Parks | 364,533 | 34,400 | 129,695 | 356,000 | 884,628 |
| Senior Citizens | 276,131 | 112,472 | 100,589 | 162,000 | 651,192 |
| Outside Agencies | 0 | 0 | 60,489 | 0 | 60,489 |
| Library | 514,687 | 4,500 | 107,269 | 29,800 | 656,256 |
| Insurance, Bonds and Transfers | 0 | 0 | 4,086,808 | 0 | 4,086,808 |
| Debt Service | 0 | 0 | 1,239,838 | 0 | 1,239,838 |
| Water and Sewer | 1,226,598 | 1,876,747 | 4,832,778 | 642,080 | 8,578,203 |
| Motorpool | 399,650 | 292,750 | 434,308 | 0 | 1,126,708 |
| **Total Appropriations** | $ 24,698,306 | $ 3,160,551 | $ 19,196,608 | $ 7,035,638 | $ 54,091,103 |

## CITY OF MADISON HEIGHTS

## FISCAL YEAR 2008-09

| Water and Sewer Charges | Actual 2004-05 | Actual 2005-06 | Actual 2006-07 | Estimate 2007-08 | Budget 2008-09 |
|---|---|---|---|---|---|
| Water Purchased - Detroit | $1,290,953 | $1,407,861 | $1,462,438 | $1,373,435 | $1,376,115 |
| Sewage Disposal - Oakland Drain Commission | $2,685,439 | $2,766,814 | $2,788,683 | $2,736,337 | $2,992,526 |

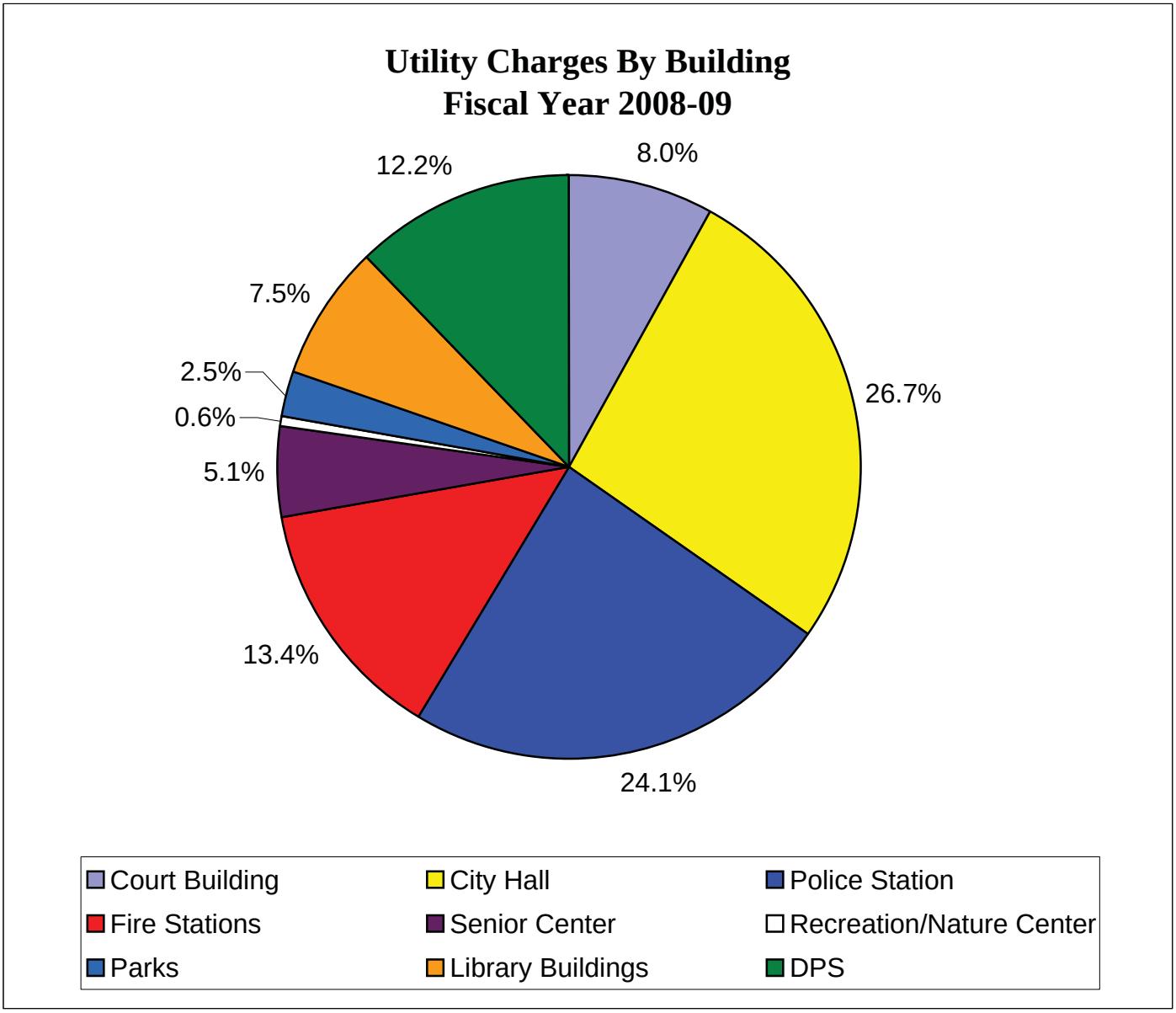



Sewage Disposal charges are more than two times higher than Water Purchased.

## CITY OF MADISON HEIGHTS

## FISCAL YEAR 2008-09

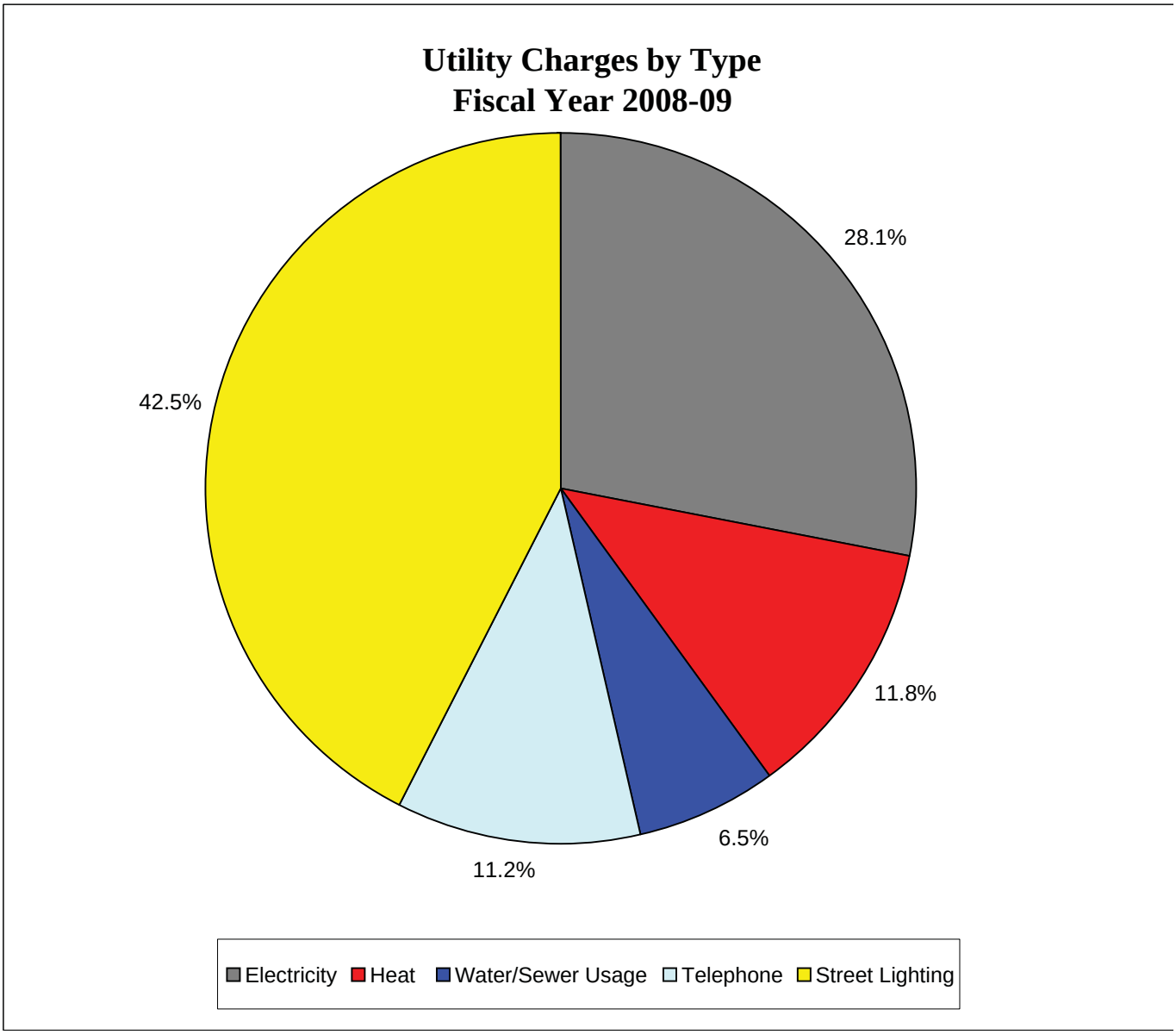
| Utility Charges - By Building | Actual 2004-05 | Actual 2005-06 | Actual 2006-07 | Estimate 2007-08 | Budget 2008-09 |
|---|---|---|---|---|---|
| Court Building | $ 34,433 | $ 39,355 | $ 39,097 | $ 41,747 | $ 47,841 |
| City Hall | $ 116,723 | $ 133,730 | $ 129,270 | $ 144,404 | $ 160,223 |
| Police Station | $ 108,929 | $ 129,185 | $ 131,588 | $ 134,727 | $ 144,904 |
| Fire Stations | $ 62,268 | $ 69,241 | $ 66,375 | $ 74,556 | $ 80,585 |
| Senior Center | $ 23,516 | $ 29,134 | $ 27,319 | $ 30,403 | $ 30,840 |
| Recreation/Nature Center | $ 3,372 | $ 3,440 | $ 3,368 | $ 3,619 | $ 3,380 |
| Parks | $ 13,448 | $ 14,484 | $ 14,171 | $ 14,160 | $ 15,139 |
| Library Buildings | $ 34,883 | $ 43,477 | $ 44,073 | $ 45,443 | $ 45,098 |
| DPS | $ 41,644 | $ 62,776 | $ 74,258 | $ 66,266 | $ 73,198 |
| Total | $439,216 | $524,821 | $529,519 | $555,325 | $601,208 |



## CITY OF MADISON HEIGHTS

## FISCAL YEAR 2008-09

| Utility Charges - City-Wide | Actual 2004-05 | Actual 2005-06 | Actual 2006-07 | Estimate 2007-08 | Budget 2008-09 |
|---|---|---|---|---|---|
| Electricty | $ 199,549 | $ 258,428 | $ 266,027 | $ 271,805 | $ 293,652 |
| Heat - Gas | 90,655 | 117,649 | 115,586 | 116,538 | 123,025 |
| Water/Sewer Usage | 40,558 | 38,525 | 33,471 | 54,913 | 67,845 |
| Telephone | 108,454 | 110,219 | 114,435 | 112,069 | 116,686 |
| Street Lighting | 474,409 | 407,917 | 436,025 | 444,000 | 444,000 |
| Total | $ 913,625 | $ 932,738 | $ 965,544 | $ 999,325 | $ 1,045,208 |



# SOLID WASTE MANAGEMENT COST

# BUDGET 2008-09

## SOCRRA Refuse Disposal Cost Only:

| FISCAL | INCINERATION | | LANDFILL | | COMPOSTING | | RECYCLABLE | | BULKY WASTE | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | TONNAGE | CHARGES | TONNAGE | CHARGES | TONNAGE | CHARGES | TONNAGE | CHARGES | TONNAGE | CHARGES | TONNAGE | CHARGES* |
| 1984-85 | 19,702 | 390,249 | 1,741 | 34,810 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 21,443 | 425,059 |
| 1985-86 | 20,964 | 476,000 | 2,349 | 54,032 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 23,313 | 530,032 |
| 1986-87 | 20,506 | 482,987 | 2,615 | 61,368 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 23,121 | 544,355 |
| 1987-88 | 20,799 | 527,908 | 2,687 | 63,881 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | 23,486 | 591,789 |
| 1988-89 | 18,216 | 546,493 | 1,701 | 61,216 | 2,419 | 36,280 | N.A. | N.A. | N.A. | N.A. | 22,336 | 643,989 |
| 1989-90 | 15,839 | 530,609 | 1,687 | 65,824 | 4,469 | 74,167 | 222 | 2,268 | N.A. | N.A. | 22,217 | 672,868 |
| 1990-91 | - | - | 13,981 | 572,093 | 4,107 | 69,819 | 911 | 18,165 | 1,109 | 53,237 | 20,108 | 713,314 |
| 1991-92 | - | - | 13,472 | 606,183 | 3,382 | 64,344 | 1,129 | 20,605 | 1,096 | 56,968 | 19,079 | 748,100 |
| 1992-93 | - | - | 14,994 | 749,682 | 4,062 | 81,233 | 1,516 | 23,685 | 290 | 15,066 | 20,862 | 869,666 |
| 1993-94 | - | - | 15,097 | 779,669 | 2,566 | 53,892 | 1,626 | 25,343 | 319 | 16,422 | 19,608 | 875,326 |
| 1994-95 | - | - | 14,924 | 726,939 | 2,737 | 13,685 | 373 | 17,904 | 1,021 | 5,718 | 19,055 | 764,246 |
| 1995-96 | - | - | 13,370 | 695,240 | 3,270 | 16,365 | 380 | 13,870 | 630 | 4,625 | 17,650 | 730,100 |
| 1996-97** | - | - | 12,800 | 665,600 | 3,350 | 5,200 | 400 | 6,000 | 650 | 3,510 | 17,200 | 680,310 |

N/A= Not Available

*The 1984-85 figures include $24,800 ready to serve charge.

## Contractor Refuse Collection and Disposal Costs:

| FISCAL | OTHER DISPOSAL | | LANDFILL/ BULKY WASTE | | COMPOSTING | | RECYCLABLE | | | | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | STOPS | CHARGES | STOPS | CHARGES | STOPS | CHARGES | STOPS | CHARGES | | | | CHARGES |
| 1997-98 | - | - | 9,500 | $ 631,880 | 9,500 | $ 2,430 | 9,500 | $ 18,375 | | | | $ 652,685 |
| 1998-99 | - | - | 9,500 | $ 598,428 | 9,500 | $ 103,399 | 9,500 | $ 168,787 | | | | $ 870,614 |
| 1999-00 | - | - | 9,500 | $ 609,886 | 9,500 | $ 106,420 | 9,500 | $ 172,019 | | | | $ 888,325 |
| 2000-01 | N/A | $ 58,001 | 9,500 | $ 717,534 | 9,500 | $ 80,454 | 9,500 | $ 179,617 | | | | $ 1,035,606 |
| 2001-02 | N/A | $ 34,355 | 9,500 | $ 697,228 | 9,500 | $ 68,471 | 9,500 | $ 176,332 | | | | $ 976,386 |
| 2002-03 | N/A | $ 38,705 | 9,940 | $ 785,499 | 9,940 | $ 77,140 | 9,940 | $ 198,656 | | | | $ 1,100,000 |
| 2003-04 | N/A | $ 40,815 | 9,960 | $ 828,347 | 9,960 | $ 81,347 | 9,960 | $ 209,491 | | | | $ 1,160,000 |
| 2004-05 | N/A | $ 40,886 | 9,980 | $ 829,775 | 9,980 | $ 81,487 | 9,600 | $ 209,852 | | | | $ 1,162,000 |
| 2005-06 | N/A | $ 42,077 | 9,516 | $ 853,960 | 9,516 | $ 83,862 | 9,600 | $ 215,968 | | | | $ 1,195,867 |
| 2006-07 | N/A | $ 43,924 | 9,516 | $ 891,440 | 9,516 | $ 87,543 | 9,600 | $ 225,453 | | | | $ 1,248,360 |
| 2007-08 | N/A | $ 45,467 | 9,516 | $ 922,751 | 9,516 | $ 87,513 | 9,600 | $ 233,373 | | | | $ 1,289,104 |
| 2008-09 | N/A | $ 46,873 | 9,516 | $ 951,285 | 9,516 | $ 90,219 | 9,600 | $ 240,590 | | | | $ 1,328,967 |

Notes:

The City contracted out its refuse collection (January 1997) and refuse disposal (July 1997).

The City estimates current disposal costs at $20 - $22 per ton.

# RISK MANAGEMENT

## Liability and Property Insurance

The City is a member of the Michigan Municipal Risk Management Authority, which is a self-insurance program for general and auto liability, auto physical damage and property loss claims. The program provides for reinsurance (which is partly underwritten by the Authority itself) in the following amounts:

| | RETENTION * | LIMITS OF REINSURANCE |
|---|---|---|
| General and auto liability | $250,000 per occurrence | $15,000,000 per occurrence |
| Auto physical damage | $1,000 deductible and $15,000 each vehicle; $30,000 per occurrence | $1,500,000 per occurrence |
| Property | $1,000 deductible plus 10% of first $100,000 per occurrence | $27,429,616 |

*The Retention amounts represent the amount that the City pays before reinsurance coverage begins.

In addition to the losses retained, the City may be responsible for certain defense costs. The City has elected to participate in the Authority's Stop Loss Program, which limits paid losses from the City to no more than $362,000 per fiscal year.

The City's policy is to record premium payments to the Authority as expenditures of the participating funds. At June 30, 2007, the City had $214,012 with the Authority. It is estimated that $89,600 will be used to pay claims reported to date; the amount to be paid for claims incurred, but not yet reported can not be estimated at this time. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City.

As of July 1, 2007, Council approved increasing the retention from $150,000 to $250,000, this resulted in a reduced in annual premium of $206,236 or 25%.

## Other Insurance Programs

The Worker's Compensation Program is administered by the Meadowbrook Insurance Group for the Michigan Municipal Worker's Compensation Fund and provides the City with statutory worker's compensation coverage. Premium costs are allocated to individual activities of the City, based on payroll exposure with the rates being adjusted at least annually. Unemployment compensation insurance is carried through the State of Michigan. All three programs have active loss control programs.

**Special Events Insurance Requirements**

On December 14, 1992, the City Council approved Resolution #422 adopting a Council Policy establishing Uniform Insurance Requirements for Special Events. The policy covers clubs and organizations that request to hold special events on City property and/or in the City's right-of-way. The policy categorizes special events based on the potential risk involving the event activities into "hazard groups." Next, the requirements for: liability, property, fire damage, medical and vehicle insurances; indemnification, defend and hold harmless agreements; and participant liability release are outlined. The policy is periodically reviewed to determine the need for further modification.

## DEBT ADMINISTRATION

The City's current outstanding long-term debt is $7.9 million. This amount includes $2.6 million of vested employee benefits and $663,000 reserve for general liability insurance claims and $5.0 million in general obligation bonds. The vested employee benefits will be paid on various future dates with General Fund general revenues.

The City's latest government rating occurred in June 2003 when Moody's Investors Service (Moody's) and Standard and Poor's Ratings Services (S & P) assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to the issue of 2003 Fire Stations' Bonds with the understanding that upon delivery of the Bonds a policy insuring the payment when due of the principal and interest on the Bonds will be issued by MBIA Insurance Corporation and paid for by the City. Moody's and S & P have also assigned their underlying ratings of "A1" and "AA-", respectively, to the Bonds.

The assigned ratings reflect the independent judgment of the respective rating agencies. There is no assurance that said ratings will continue for any period of time or that they will not be revised or withdrawn by the respective rating agencies. A revision or withdrawal of said ratings may have an effect on the market price of the securities. Further information concerning the municipal bond ratings is available upon request from the rating agencies.

As of June 30, 2008, the City will be utilizing less than 4.23% of the City's debt limit of $118.5 million . The City has general obligation bonds outstanding in the amount of $5,015,000 of an original $5,925,000 of original issue. The City is also responsible for five general obligation bonds related to the George W. Kuhn Drain project for a total of $10.4 million. The City's legal limit is $113,214,000 or a per capita debt limit of $3,640.

The City in the past has issued bonds to provide for the acquisition and construction of some major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. City contractual labor agreements are also general obligations of the government; however, these are not funded by the issuance of bonds. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Outstanding long-term debt recorded in the General Long-Term Debt Account Group, exclusive of contractual labor agreements, will include the following at June 30, 2008:

I. George W. Kuhn Drain Bonds and State Revolving Loan Debt issued between October 2000 and August 2007. The total debt to be issued is estimated to be $127,000,000 with Madison Heights' share being $12,609,482. The bond and interest payments are being paid from the Water and Sewer Fund, with $10,441,257 principal remaining.

II. Fire Stations' General Obligation Unlimited Tax Bonds in the amount of $5,926,000 issued on May 1, 2003, payable over 20 years, for the cost of acquiring, constructing, furnishing and equipping a new fire station and related training tower, park and site improvements, construction of an underground storm water retention structure and draft pit, demolition of the old Fire Station Headquarters, redevelopment of the Thirteen Mile frontage and rehabilitation of Station #2. $5,015,000 remains in principal payments.

**SUMMARY OF DEBT SERVICE REQUIREMENTS**
**TO MATURITY**
**ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS**
**June 30, 2008**

| Fiscal Year | Fire Stations Bond Obligations | Water & Sewer Obligations | Total |
|---|---|---|---|
| 2009 | $ 395,198 | $ 842,615 | $ 1,237,813 |
| 2010 | 404,148 | 842,413 | 1,246,561 |
| 2011 | 412,098 | 841,518 | 1,253,616 |
| 2012 | 414,598 | 840,636 | 1,255,234 |
| 2013 | 421,798 | 841,962 | 1,263,760 |
| 2014 | 458,548 | 840,799 | 1,299,347 |
| 2015 | 434,588 | 839,206 | 1,273,794 |
| 2016 | 444,523 | 840,343 | 1,284,866 |
| 2017 | 458,473 | 840,923 | 1,299,396 |
| 2018 | 466,223 | 821,491 | 1,287,714 |
| 2019 | 467,903 | 818,671 | 1,286,574 |
| 2020 | 473,850 | 817,664 | 1,291,514 |
| 2021 | 483,663 | 816,519 | 1,300,182 |
| 2022 | 487,000 | 815,874 | 1,302,874 |
| 2023 | 494,000 | 639,459 | 1,133,459 |
| 2024 | - | 633,608 | 633,608 |
| 2025 | - | 9,326 | 9,326 |
| 2026 | - | 9,698 | 9,698 |
| Totals | $ 6,716,611 | $ 12,952,725 | $ 19,669,336 |

**Fire Stations Bond**

Date of issue - May 1, 2003
Payment Date:
Principal, May 1
Interest, May 1, November 1
Amount of issue - $5,925,000

| Fiscal Year | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2009 | $ 220,000 | $ 175,198 | $ 395,198 |
| 2010 | 235,000 | 169,148 | 404,148 |
| 2011 | 250,000 | 162,098 | 412,098 |
| 2012 | 260,000 | 154,598 | 414,598 |
| 2013 | 275,000 | 146,798 | 421,798 |
| 2014 | 280,000 | 178,548 | 458,548 |
| 2015 | 305,000 | 129,588 | 434,588 |
| 2016 | 325,000 | 119,523 | 444,523 |
| 2017 | 350,000 | 108,473 | 458,473 |
| 2018 | 370,000 | 96,223 | 466,223 |
| 2019 | 385,000 | 82,903 | 467,903 |
| 2020 | 405,000 | 68,850 | 473,850 |
| 2021 | 430,000 | 53,663 | 483,663 |
| 2022 | 450,000 | 37,000 | 487,000 |
| 2023 | 475,000 | 19,000 | 494,000 |
| | $ 5,015,000 | $ 1,701,611 | $ 6,716,611 |

**Water & Sewer Obligations** - Amount of Issue - $117,338,000

Date of issue - Series A Oct. 1, 2000 (Total $17,888,000 Madison Heights Share $1,881,478)
Series C Sept. 29, 2001 (Total $82,200,000 Madison Heights Share $8,649,748)
Series D Dec. 20, 2001 (Total $3,170,000 Madison Heights Share $333,573)
Series 2005 September 22, 2005 ( Total $1,620,000 Madison Heights Share $170,469)
Series 2007 Refinancing B & E Aug. 23 ,2007 (Total $12,460,000 Madison Heights Share $1,574,214)
Combined Issues Total $117,338,000 Madison Heights Share $12,609,482

Payment Date: Principal, April 1 and Interest, April 1, October 1

| Fiscal Year | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2009 | $ 556,131 | $ 286,484 | $ 842,615 |
| 2010 | 571,389 | 271,024 | 842,413 |
| 2011 | 586,120 | 255,398 | 841,518 |
| 2012 | 601,378 | 239,258 | 840,636 |
| 2013 | 619,268 | 222,694 | 841,962 |
| 2014 | 635,051 | 205,748 | 840,799 |
| 2015 | 650,836 | 188,370 | 839,206 |
| 2016 | 669,777 | 170,566 | 840,343 |
| 2017 | 688,718 | 152,205 | 840,923 |
| 2018 | 688,191 | 133,300 | 821,491 |
| 2019 | 704,502 | 114,169 | 818,671 |
| 2020 | 722,917 | 94,747 | 817,664 |
| 2021 | 741,858 | 74,661 | 816,519 |
| 2022 | 761,851 | 54,023 | 815,874 |
| 2023 | 606,639 | 32,820 | 639,459 |
| 2024 | 617,163 | 16,445 | 633,608 |
| 2025 | 9,471 | (145) | 9,326 |
| 2026 | 9,997 | (299) | 9,698 |
| | $ 10,441,257 | $ 2,511,468 | $ 12,952,725 |